

**ROOSEVELT SOIL AND WATER CONSERVATION
DISTRICT**

**Independent Accountant's Report on Applying
Agreed-Upon Procedures
For the Year Ended June 30, 2010**

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Roosevelt Soil and Water Conservation District
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June 30, 2010

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Roosevelt Soil and Water Conservation District
Official Roster
June 30, 2010

Board of Supervisors

Mike Cone	Chairperson
Mitzi Miller	Vice-Chairperson
George Hay	Secretary/Treasurer
Karl Cox, Jr.	Supervisor
Gene Massey	Supervisor
Don Sanders	Supervisor

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Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To Board of Directors of
Roosevelt Soil and Water Conservation District
Portales, New Mexico and
Mr. Hector H. Balderas, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Roosevelt Soil and Water District (District) and the New Mexico State Auditor's Office, solely to assist in determining if the District is in compliance with the Tier 4 requirements under the Audit Act, Section 12-6-3 B (4) NMSA 1978, and Section 2.2.2.16 NMAC, for the year ended June 30, 2010. 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, 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.

The procedures and associated findings are included in a supplemental attachment (pages 4 – 8).

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 within the District, the New Mexico State Auditor's Office, the New Mexico Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Griego Professional Services, LLC

Griego Professional Services, LLC
Albuquerque, New Mexico
January 30, 2013

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**Roosevelt Soil and Water Conservation District
Agreed-Upon Procedures
June 30, 2010**

PROCEDURES PERFORMED AND RELATED RESULTS

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.

Results

- a) The District has an Operating account, a Building account, a Weather Modification account, a LEPA Loan account, a Money Market account, and a Savings account. All bank statements for the fiscal year ended June 30, 2010 were on hand. Bank reconciliations are being performed; however, the District is reconciling the bank statements to the check book instead of the QuickBooks accounting software. It cannot be determined if the reconciliations are being prepared timely. It was also noted that no one reviews the reconciliations after they are prepared.
- b) All bank statements and reconciliations for the year ended June 30, 2010 were tested.
 - The Money Market account bank statements do not reconcile to the amounts in QuickBooks. For the fiscal year ended June 30, 2010, the variances in this account ranged from \$2,189.83 to \$39,644.08.
 - In QuickBooks, the Weather Modification account showed a certificate of deposit with a negative amount of \$3,957.66 in QuickBooks for all months of the fiscal year ended June 30, 2010.
 - The Primary Savings account had a balance of \$5.01 for all bank statements for the fiscal year ended June 30, 2010. This balance was not recorded in QuickBooks.
 - The District maintained several versions of quarterly financial reports on the administrative assistant's computer. The District could not identify which versions were the actual versions submitted to the Department of Finance and Administration – Local Government Division. A copy of the fourth quarter report could not be located.
- c) Bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any bank account.

**Roosevelt Soil and Water Conservation District
Agreed-Upon Procedures (continued)
June 30, 2010**

2. Capital Assets

Procedures

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

Results

The District did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 for the fiscal year ended June 30, 2010. The capital asset listing provided to the independent accountants was from the fiscal year ended June 30, 2002.

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 50% of the total amount of 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 body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results

- a) Analytical review and test of actual revenue compared to budgeted revenue revealed that some revenue may be miscoded in the QuickBooks accounting software. Specifically, miscellaneous income was \$30,500 higher than the budgeted amount, while rental income was \$34,154 lower than budgeted amount.

**Roosevelt Soil and Water Conservation District
Agreed-Upon Procedures (continued)
June 30, 2010**

3. Revenue (Continued)

Results (continued)

b) and c)

- For one of twenty-five transactions tested, revenue was classified to Note Payable when it was a transfer from a Money Market account. The Money Market account was not set up in QuickBooks at the time. No entry has been made to correct the error. Based on the amount tested, liabilities could be understated by \$7,000.
- For two of twenty-five transactions tested, the deposits could not be traced to bank statement because copies of the deposit slips were not available.
- For four of twenty-five transactions tested, the amount in the general ledger could not be traced to the deposit slips. There was not sufficient documentation supporting the bank deposit.
- For fourteen of twenty-five transactions tested, the District receipts record is not traceable. The District could not provide the receipt book. Remaining receipts tested were electronically deposited.

4. Expenditures

Procedures

Select a sample of cash disbursements and test at least 25 transactions and 50% of 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 cancelled 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**Roosevelt Soil and Water Conservation District
Agreed-Upon Procedures (continued)
June 30, 2010**

4. Expenditures (Continued)

Results

a), b), and c)

- For three of twenty-five transactions tested, the District was unable to provide supporting documentation for the expenditure.
- For twenty-five of twenty-five transactions tested, the expenditures were not being properly authorized; the District used checks pre-signed by the Board at the Board meeting. The number of checks signed is based on estimate from the administrative assistant. A check listing is printed out at the end of the month and reviewed by the Board for the following meeting.
- For one of one payroll related expenditures tested, no supporting documentation was provided, the District usually documents year-end bonus authorization in the minutes, no such discussion was found.
- For one of twenty-five transactions tested, a check was written which cleared the bank without a payee being listed on the check.

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.

Results

- a) No journal entries were posted to QuickBooks.
- b) The District has not developed procedures that require journal entries to be reviewed.

**Roosevelt Soil and Water Conservation District
Agreed-Upon Procedures (continued)
June 30, 2010**

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.

Results

- a) A review of the minutes indicated that the budget was approved by the Board of Supervisors. A letter from the Department of Finance and Administration - Local Government Division approving the budget for the fiscal year ended June 30, 2010 was available. The District maintained various copies of the budget for the fiscal year ended June 30, 2010 and it was not clear which version was the final approved budget.
- b) The accounts listed on the budget differ from the accounts in the District's QuickBooks accounting software. The District was not able to provide the independent accountants with reconciliation between the two charts of accounts. Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual was prepared from District records on the cash budgetary basis.

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, disclose 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.

Results

Findings required to be disclosed by Section, 12-6-6 NMSA 1978 are disclosed in the Schedule of Findings and Responses.

ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2010

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Windbreak	\$ 55,000	\$ 55,000	\$ 62,847	\$ 7,847
State funding	11,000	11,000	8,008	(2,992)
Interest Income	250	250	95	(155)
Miscellaneous	-	-	67	67
Interest				-
<i>Total revenues</i>	<u>66,250</u>	<u>66,250</u>	<u>71,017</u>	<u>4,767</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Dues	3,000	3,000	1,285	1,715
Awards and Education	1,000	1,000	148	
Office Expense	2,000	2,000	2,072	(72)
Windbreak	55,000	55,000	35,399	19,601
CRS Tax	5,000	5,000	2,039	2,961
Wages	17,000	17,000	13,929	3,071
Meeting Expense	5,000	5,000	4,319	681
Bond	700	700	591	109
Advertising	500	500	129	371
Mileage	1,500	1,500	1,128	372
941 and SUTA Tax	2,000	2,000	3,569	(1,569)
Miscellaneous	2,000	2,000	2,087	(87)
Audit	1,000	1,000	-	1,000
Projects	2,000	2,000	-	2,000
<i>Total expenditures</i>	<u>97,700</u>	<u>97,700</u>	<u>66,695</u>	<u>30,153</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(31,450)	(31,450)	<u>\$ 4,322</u>	<u>\$ 35,772</u>
<i>Other Financing Sources:</i>				
Designated Cash	<u>31,450</u>	<u>31,450</u>		
<i>Excess (deficiency) of revenues and other financing sources over expenditures</i>	<u>\$ -</u>	<u>\$ -</u>		

ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2010

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Rental income	\$ 88,000	\$ 88,000	\$ 53,846	\$ (34,154)
Miscellaneous	-	-	30,500	30,500
Interest	-	-	29	29
<i>Total revenues</i>	<u>88,000</u>	<u>88,000</u>	<u>84,375</u>	<u>(3,625)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Utilities	12,000	12,000	10,056	1,944
Janitorial	10,000	10,000	4,726	5,274
Supplies	1,500	1,500	1,460	40
Maintenance	10,000	10,000	2,746	7,254
Miscellaneous	2,000	2,000	1,908	92
Insurance	1,000	1,000	2,630	(1,630)
Property Taxes	1,500	1,500	-	1,500
<i>Debt service:</i>				
Principal	21,000	21,000	-	21,000
Interest	7,000	7,000	-	7,000
<i>Total expenditures</i>	<u>66,000</u>	<u>66,000</u>	<u>23,526</u>	<u>42,474</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 60,849</u>	<u>\$ 38,849</u>

**Roosevelt Soil and Water Conservation District
Schedule of Findings and Responses
Year Ended June 30, 2010**

Current Year Findings

2010-1 Late Report

Criteria: The State Auditor Rule, Section 2.2.2.16H requires that local public bodies submit the agreed upon procedures report no later than five months after the fiscal year end.

Condition: The District's agreed upon procedures report was not submitted to the Office of the State Auditor until April 12, 2013.

Cause: The contract with the independent accountant for the agreed upon procedures was not signed until after the required deadline.

Effect: The District was not in compliance with the State Audit Rule, section 2.2.2.16H.

Recommendation: The District should attempt to get back on schedule with its future agreed upon procedures deadlines.

Management's Response: The District has fallen behind schedule on its agreed upon procedures reports, but should be able to get back on schedule for the 2013 fiscal year.

2010-2 Annual Physical Inventory

Criteria: Section 12-6-10(A) NMSA, 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

Condition: The District did not conduct an annual physical inventory for the year ended June 30, 2010. The inventory listing provided to the independent accountants was from the fiscal year ended June 30, 2002.

Cause: The District was unaware of the requirement for an annual physical inventory.

Effect: The District was not in compliance with the Audit Act Section 12-6-10(A) NMSA 1978.

Recommendation: The District should conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency should certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

**Roosevelt Soil and Water Conservation District
Schedule of Findings and Responses (continued)
Year Ended June 30, 2010**

2010-2 Annual Physical Inventory (Continued)

Management's Response: The District will comply with Audit Act Section 12-6-10(A) NMSA 1978 in future fiscal years.

2010-3 Record of Approved Budget

Criteria: Section 6-6-5 NMSA, 1978 requires that upon receipt of any budget approved by the local government division, the local public body shall cause such budget to be a part of the minutes of such body.

Condition: The District had on file various versions of budgets for the year ended June 30, 2010. It was not clear to the independent accountants which budget was the final budget approved by the Department of Finance and Administration - Local Government Division. The final approved budget was not made part of the District's Board minutes.

Cause: The District was not aware that it was required to make the approved final budget a part of the Board minutes.

Effect: The District was not in compliance with Section 6-6-5 NMSA 1978. Additionally, any comparison of the District's budget, with actual results is hindered if the correct budget is not being used.

Recommendation: The District should maintain records which clearly indicate which version of the budget are the final budget approved by Department of Finance and Administration - Local Government Division. This budget should also be made part of the Board minutes.

Management's Response: The District will make sure that in future fiscal years, the final budget approved by Department of Finance and Administration - Local Government Division will be made a part of Board minutes.

2010-4 Quarterly Financial Reports

Criteria: Section 6-6-2 NMSA, 1978 requires that each local public body submit periodic financial reports, at least quarterly, to the Department of Finance and Administration - Local Government Division.

Condition: The District had on file various versions of quarterly reports for the year ended June 30, 2010. It was not clear to the independent accountants, which quarterly reports were the versions submitted to the Department of Finance and Administration - Local Government Division. There was not available any quarterly report for the quarter ended June 30, 2010.

**Roosevelt Soil and Water Conservation District
Schedule of Findings and Responses (continued)
Year Ended June 30, 2010**

2010-4 Quarterly Financial Reports (Continued)

Cause: The District does not have an efficient filing system in regards to financial reports

Effect: The District was not in full compliance with Section 6-6-2 NMSA, 1978. Additionally, any analysis of the District's financial status is hindered if the correct reports are not available.

Recommendation: Quarterly reports should be accurately completed and filed timely. The District should maintain records which make it clear which reports were actually filed with the Department of Finance and Administration - Local Government Division.

Management's Response: The District will take measures to ensure that future quarterly reports are accurate and filed timely. The District will maintain copies of all future reports filed with the Department of Finance and Administration - Local Government Division.

2010-5 Bank Reconciliations

Criteria: Good internal controls include timely and proper reconciliation of bank accounts to the general ledger. Good internal control over bank reconciliations also includes having someone other than the preparer review the reconciliations as well.

Condition: While reviewing bank statements and bank reconciliations, we noted the following issues:

- a) It could not be determined if bank reconciliations are being prepared timely.
- b) Bank reconciliations are not being reviewed by anyone other than the preparer.
- c) Bank accounts are being reconciled to the check book and not to the general ledger amounts in QuickBooks.
- d) The Money Market account bank statements do not reconcile to the amounts in QuickBooks. For the fiscal year ended June 30, 2010, the variances in the account ranged from \$2,189.83 to \$39,644.08.
- e) In QuickBooks, the Weather Modification account showed a certificate of deposit with a negative amount of \$3,957.66 for all months of the fiscal year ended June 30, 2010.
- f) The Primary Savings account had a balance of \$5.01 for all bank statements of the fiscal year ended June 30, 2010. This balance was not recorded in QuickBooks.

Cause: The District has not established good internal controls in regards to monthly bank reconciliations. Administrative staff of the District is not familiar with all the features of the accounting software QuickBooks.

**Roosevelt Soil and Water Conservation District
Schedule of Findings and Responses (continued)
Year Ended June 30, 2010**

2010-5 Bank Reconciliations (Continued)

Effect: The District's financial statements may not be accurate if the bank accounts are not properly reconciled.

Recommendation: The District should use the bank reconciliation features in QuickBooks, so that the amount are being reconciled to the general ledger and not to the check book. The bank reconciliations should be reviewed by someone other than the preparer. The bank reconciliations should be signed and dated by the preparer when completed. The reviewer should also sign and date the reconciliations after they are reviewed.

Management's Response: The District has hired additional administrative staff that has a working knowledge of QuickBooks. Bank reconciliations will be reviewed by someone other than the preparer. The bank reconciliations will be signed and dated by the preparer when completed. The reviewer will also sign and date the reconciliations after they are reviewed.

2010-6 Pre-signed Checks

Criteria: The District requires dual signatures on all checks issued to vendors and suppliers of goods and services. The reason for the requirements of having dual signed checks is to provide a measure of internal control. The practice of pre-signing checks violates this procedure and overrides internal control over the expenditure process.

Condition: The administrative assistant provides an estimate of the number of checks to be needed in an upcoming month and then the members of the Board will pre-sign that number of checks. We also noted one instance in sample of twenty-five expenditures where a pre-signed check was issued without a payee and the check cleared the bank.

Cause: The District finds it difficult to have authorized signers come into the District office to sign checks when needed.

Effect: Pre-signing checks makes it possible for checks to be written for items which are not approved in the budget or the possibility that a check could be used in a fraudulent manner.

Recommendation: The District should establish a schedule in where authorized signers will come into the District office on designated dates during the month in order to review expenditures and sign checks.

Management's Response: The District will develop a system in where checks are no longer pre-signed.

**Roosevelt Soil and Water Conservation District
Schedule of Findings and Responses (continued)
Year Ended June 30, 2010**

2010-6 Internal Controls Over Expenditures

Criteria: Good internal control requires that supporting documentation be maintained on file for all expenditures.

Condition: In a sample of twenty five expenditures, we noted three instances in where there was insufficient supporting documentation for the expenditure. We also noted that there was insufficient supporting documentation for a year-end bonus given to the administrative assistant.

Cause: The District is not maintaining supporting documentation for all expenditures.

Effect: Without supporting documentation, it is not possible to determine if expenditures are properly approved and authorized expenditures of the District.

Recommendation: The District should maintain supporting documentation such as vendor invoices, vendor statements, or contracts for all expenditures. In the case of year-end bonuses, approval could be supported by a signed letter of the Board or by documentation of a vote in the Board minutes.

Management's Response: The District will take measures to ensure that all expenditures are properly supported.

2010-7 Internal Controls Over Revenue

Criteria: Good internal control requires that supporting documentation be maintained on file for all revenue related items including bank deposits and journal entries.

Condition: While testing revenue, the following items were noted:

- a) Analytical review and test of actual revenue compared to budgeted revenue revealed that some revenue may be miscoded in the QuickBooks accounting software. Specifically, miscellaneous income was \$30,500 higher than the budgeted amount, while rental income was \$34,154 lower than budgeted amount.
- b) For one of twenty-five transactions tested, revenue was classified to Note Payable when it was a transfer from a Money Market account. The Money Market account was not set up in QuickBooks at the time. No entry has been made to correct error. Based on the amount tested, liabilities could be understated by \$7,000.
- c) For two of twenty-five transactions tested, the deposits could not be traced to bank statement because copies of the deposit slips were not available.

**Roosevelt Soil and Water Conservation District
Schedule of Findings and Responses (continued)
Year Ended June 30, 2010**

2010-7 Internal Controls Over Revenue (Continued)

- d) For four of twenty-five transactions tested, the amount in the general ledger could not be traced to the deposit slips. There was not sufficient documentation supporting the bank deposit.
- e) For fourteen of twenty-five transactions tested, the District receipts record is not traceable. The District could not provide the receipt book.
- f) The District does not have procedures in place that require journal entries in QuickBooks to be reviewed.

Cause: The District has not established good internal controls in regards to bank deposits and journal entries.

Effect: Deposits which are not properly supported could be miscoded on the general ledger. If revenue is not properly reported in the general ledger, the Board could possibly make decisions based on incorrect information.

Recommendation: All deposits should be properly supported. The District should establish procedures to ensure that journal entries in QuickBooks are reviewed.

Management's Response: The District will take measures to ensure that all bank deposits are properly supported. The District will implement policies to ensure that journal entries in QuickBooks are reviewed.

**ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE
JUNE 30, 2010**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on June 13, 2012 with the following in attendance:

Roosevelt Soil and Water Conservation District

Mike Cone, Chairperson
Rick Ledbetter, Supervisor

Griego Professional Services, LLC

David Baca, Audit Senior
Gabriella Parra, Staff Auditor