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State of New Mexico  
Roosevelt Soil and Water Conservation District

Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
June 30, 2012

Sandra Rush  
Certified Public Accountant, PC

1101 E Llano Estacado  
Clovis, New Mexico 88101

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STATE OF NEW MEXICO  
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

Official Roster  
For the Year Ended June 30, 2012

Board of Directors

Mike Cone	Chairperson
George Hay	Director
Gene Massey	Director
Rick Ledbetter	Director
Mitzi Miller	Director
Don Sanders	Director

STATE OF NEW MEXICO  
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

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# *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

Mike Cone, Chairperson  
Roosevelt Soil and Water Conservation District  
and  
Honorable Hector H Balderas  
New Mexico State Auditor

I 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, 2012. 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 these parties specified in the report. Consequently, I make no representations 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.

I was not engaged to, and did not conduct an audit, the object of which would be the expression of an opinion on the accounting records. 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 management and others within the District, the New Mexico State Auditor's Office, the New Mexico Department of Finance, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Sandra Rush CPA PC*  
Sandra Rush CPA PC  
Clovis, New Mexico  
November 28, 2012

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 Roosevelt SWCD has four checking accounts and utilizes QuickBooks to record cash transactions. Thirty (30) of forty eight (48) bank reconciliations has no documentation as to when the reconciliation was performed. All bank statements were complete and on-hand for the entire year. Finding 2010-5
- b) All bank reconciliations tested agreed to bank balances per QuickBooks. However the cash balances submitted to DFA-Local Government Division did not agree. Finding 2010-4
- b) Bank account balances did not exceed uninsured limits as of June 30, 2012 and, therefore, pledged collateral was not required on any bank account at the end of the year.

2. **Capital Assets**

**Procedures**

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

**Results**

The District did not perform a yearly inventory as required by Section 12-6-10 (A) NMSA 1978 for the fiscal year ended June 30, 2012. The capital asset listing provided to the independent accountants was from the fiscal year ended June 30, 2002. Finding 2010-2

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 public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

### **Results**

- a) Roosevelt SWCD was unable to provide a copy of the budget submitted to DFA. I was unable to perform an analytical review and test of actual revenue compared to budgeted revenue for the year for each revenue type. Finding 2011-02
- b) Amounts recorded on QuickBooks general ledger agreed with deposit slip, and the bank statements, without any exceptions. However receipts could not be traced to the deposit slip.
- c) Deposits are not made on a determined basis. Receipts are not issued for all revenue. Other agency employees in the building accept cash and issue receipts on the days the clerk is not in the office. However, receipts are not consistently issued. Revenues are recorded in QuickBooks with RSWCD as a description. Therefore, I was unable to agree QuickBooks revenue with actual receipts. Finding 2010-7

## **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 check clearing amount (cancelled checks not returned), 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).

### **Results**

- a) Tests of transactions revealed that for 6 months payroll checks were recorded as a net amount rather than the gross wages as an expense and payroll liabilities. Test of transactions also revealed 1 (one) instance of misclassification in the amount of \$500. Finding 2010-6.1
- b) Disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.4 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

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**

The Roosevelt SWCD utilizes QuickBooks to record cash transactions. The results of our tests are as follows:

- a) No journal entries were made for the year.
- b) The Roosevelt SWCD does not have procedures that require journal entries to be reviewed.

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 copy of the approved budget was not included in the Board minutes, however. A letter from the Department of Finance and Administration - Local Government Division approving the budget for the fiscal year ended June 30, 2011 could not be located. The District maintained various copies of the budgets for the fiscal year ended June 30, 2012; but the District could not identify which budget was the original budget, which budget was the final budget, or if there were any budget adjustments made during the fiscal year. Finding 2010-3
- 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. It could not be determined if actual expenditures exceed the final budget at the legal level of budgetary control. Finding 2010-4

c) There was not sufficient information available to prepare a meaningful schedule of revenues and expenditures – budget and actual. Finding 2011-02

## **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 (1) (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. Finding 2012-2



DEPARTMENT OF FINANCE AND ADMINISTRATION  
 LOCAL GOVERNMENT DIVISION  
 BUDGET AND FINANCE BUREAU

**SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM**

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.

Special District: Roosevelt SWCD  
 Quarter Ending: 30-Jun-12  
 Prepared by: Rita Modtrall

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

Fund #	FUND	CASH BALANCE PER BOOKS July 1, 2011	INVESTMENTS YEAR TO DATE	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
101	GENERAL	116,549.00	-	130,579.00	-	70,022.00	171,106.00	571.00		7,215.00	184,892.00	88,593.00	96,299.00
218	INTERGOVT. GRANTS			8,740.00	-	-	8,740.00				8,740.00		8,740.00
299	OTHER												
400	DEBT SERVICE					105,039.00	(105,039.00)				(105,039.00)		(105,039.00)
	<b>GRAND TOTAL</b>	<b>\$ 116,549.00</b>	<b>\$ -</b>	<b>\$ 139,319.00</b>	<b>\$ -</b>	<b>\$ 175,061.00</b>	<b>\$ 80,807.00</b>	<b>\$ 571.00</b>	<b>\$ -</b>	<b>\$ 7,215.00</b>	<b>\$ 88,593.00</b>	<b>\$ 88,593.00</b>	<b>\$ -</b>

REVENUES	CURRENT QUARTER	ACTUALS, YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
<b>General Fund 101</b>				
Total Property Tax Production	-	-	-	#DIV/0!
Total Interest From Bank Accounts and CDs	11.00	126.00	100.00	126.00%
Hazardous Fuels Income	-	-	-	#DIV/0!
Rent Revenue	18,556.00	74,727.00	74,226.00	100.67%
Grass Seed and or Tree Sales	8,952.00	35,230.00	41,000.00	85.93%
Low Interest Loan Account	-	20,496.00	35,000.00	58.56%
	-	-	-	#DIV/0!
	-	-	-	#DIV/0!
	-	-	-	#DIV/0!
<b>SUBTOTAL GENERAL FUND REVENUES</b>	<b>\$ 27,519.00</b>	<b>\$ 130,579.00</b>	<b>\$ 150,326.00</b>	<b>86.86%</b>
OTHER FINANCING SOURCES Transfers In	-	-	-	#DIV/0!
Transfers (Out)	-	-	-	#DIV/0!
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$ 27,519.00</b>	<b>\$ 130,579.00</b>	<b>\$ 150,326.00</b>	<b>86.86%</b>
<b>Intergovernmental Grants 218</b>				
State or University Grants	-	-	-	#DIV/0!
Federal Grants	-	-	-	#DIV/0!
State Grants	-	7,855.00	10,000.00	78.55%
Local Grants	-	-	-	#DIV/0!
	-	-	-	#DIV/0!
Legislative Funding	-	-	-	#DIV/0!
MISCELLANEOUS PROGRAMS	-	-	-	#DIV/0!
Miscellaneous (e.g.NMDA)	-	885.00	340.00	260.29%
<b>SUBTOTAL INTERGOVERNMENTAL GRANTS</b>	<b>\$ -</b>	<b>\$ 8,740.00</b>	<b>\$ 10,340.00</b>	<b>84.53%</b>
OTHER FINANCING SOURCES Transfers In	-	-	-	#DIV/0!
Transfers (Out)	-	-	-	#DIV/0!
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>
<b>TOTAL GRANT REVENUES</b>	<b>\$ -</b>	<b>\$ 8,740.00</b>	<b>\$ 10,340.00</b>	<b>84.53%</b>
<b>Debt Service 400</b>				
<b>General Obligation Bonds</b>	-	-	-	#DIV/0!
General Obligation - (Property tax)	-	-	-	#DIV/0!
Investment Income	-	-	-	#DIV/0!
Other - Misc	-	-	-	#DIV/0!
<b>Revenue Bonds</b>	-	-	-	#DIV/0!
Bond Proceeds	-	-	-	#DIV/0!
Revenue Bonds - GRT	-	-	-	#DIV/0!
Investment Income	-	-	-	#DIV/0!
Revenue Bonds - Other	-	-	-	#DIV/0!
Miscellaneous(NMFA, BOF, etc.)	-	-	-	#DIV/0!
Investment Income	-	-	-	#DIV/0!
Loan Revenue	-	-	-	#DIV/0!
<b>SUBTOTAL DEBT SERVICE FUND</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>
OTHER FINANCING SOURCES Transfers In	-	-	-	#DIV/0!
Transfers (Out)	-	-	-	#DIV/0!
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>
<b>TOTAL DEBT SERVICE REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>
<b>GRAND TOTALS REVENUES</b>	<b>\$ 27,519.00</b>	<b>\$ 139,319.00</b>	<b>\$ 160,666.00</b>	<b>86.71%</b>

Roosevelt SWCD

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	PERCENT OF BUDGET
<b>GENERAL FUND 101</b>				
Personnel Services, (Salaries and Benefits)	6,826.00	25,790.00	30,000.00	85.97%
Mileage and Per Diem	-	754.00	2,000.00	37.70%
Vehicle Expense (Insurance, gas, maintenance)	-	-	-	#DIV/0!
Building Expenses (e.g. rent/maintenance)	82.00	4,930.00	10,000.00	49.30%
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	3,089.00	12,865.00	14,000.00	91.89%
Payroll Taxes	1,870.00	4,747.00	5,500.00	86.31%
Postage Expense	45.00	133.00	650.00	20.46%
Office Supplies and Other Expenses	254.00	516.00	800.00	64.50%
Office Furniture and Equipment	-	599.00	2,500.00	23.96%
Advertising and Public Relations (e.g. newsletter)	100.00	100.00	100.00	100.00%
Training Workshops & Education Expense	425.00	1,000.00	1,000.00	100.00%
Annual Audit/Financial Report Expenses	-	2,140.00	5,000.00	42.80%
Dues and Board Fees	475.00	1,100.00	1,100.00	100.00%
Legal Expense	-	-	250.00	0.00%
Bonding/Liability Insurance	-	592.00	600.00	98.67%
All Other Insurance	-	2,049.00	2,600.00	78.81%
Windbreak Expense	2,441.00	8,107.00	24,000.00	33.78%
Contractual Fees and Other Services	1,339.00	2,615.00	5,000.00	52.30%
GRT Taxes	366.00	1,985.00	2,200.00	90.23%
Miscellaneous (e.g. Emergency Meeting Expense)	-	-	-	#DIV/0!
<b>Total General Fund Expenditures</b>	\$ 17,312.00	\$ 70,022.00	\$ 107,300.00	65.26%
<b>Intergovernmental Grants Expenditures 218</b>				#DIV/0!
State or University Grants	-	-	-	#DIV/0!
Federal Grants	-	-	-	#DIV/0!
State Grants	-	-	-	#DIV/0!
Local Grants	-	-	-	#DIV/0!
Private Grants	-	-	-	#DIV/0!
Legislative Funding	-	-	-	#DIV/0!
Other	-	-	-	#DIV/0!
<b>Total Grant Expenditures</b>	\$ -	\$ -	\$ -	#DIV/0!
<b>Other Expenditures 299</b>				#DIV/0!
Interest and Loan Payments		27,936.00	30,000.00	93.12%
Loan Program	20,527.00	20,527.00	20,600.00	99.65%
Low Interest Loan (LEPA)	-	56,576.00	60,000.00	94.29%
<b>Total Debt Service Expenditures</b>	\$ 20,527.00	\$ 105,039.00	\$ 110,600.00	94.97%
<b>TOTAL EXPENDITURES</b>	\$ 37,839.00	\$ 175,061.00	\$ 217,900.00	80.34%

STATE OF NEW MEXICO  
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Responses  
For the Year Ended June 30, 2012

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current year findings			
Lae Audit Report	Compliance and Internal Control	2010-1	2010-1
Annual Physical Inventory	Compliance and Internal Control	2010-2	2010-2
Record of Approved Budget	Compliance and Internal Control	2010-3	2010-3
Quarterly Financial Reports	Compliance and Internal Control	2010-4	2010-4
Bank Reconciliations	Compliance and Internal Control	2010-5	2010-5
Pre-signed Checks	Compliance and Internal Control	2010-6	2010-6
Internal Control Over Expenditures	Compliance and Internal Control	2010-6	2010-6.1
Internal Controls Over Revenue	Compliance and Internal Control	2010-7	2010-7
Form I-9	Compliance and Internal Control	2011-01	2011-01
Schedule of Revenues and Expenditures	Compliance and Internal Control	2011-02	2011-02
Improper Related Party Transaction	Compliance and Internal Control		2012-01
Cash Receipts	Compliance and Internal Control		2012-02
Expenditures	Compliance and Internal Control		2012-03

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

Current Year Findings

2010-1 Late Audit Report— Compliance and Internal Control

Criteria

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 Roosevelt Soil and Water Conservation District (District) agreed upon procedures report was not submitted to the Office of the State Auditor until March 26, 2014.

Cause

The June 30, 2011 agreed upon procedures report was not submitted to the State Auditor until February 26, 2014. Thus the contract for the June 30, 2012 agreed upon procedures report 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.

Response

None provided

2010-2 Annual Physical Inventory-- Compliance and Internal Control

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 June30, 2012. 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.

Response

None provided

2010-3 Record of Approved Budget— Compliance and Internal Control

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, 2012. It was not clear to the independent accountants which budget was the final budget approved by the Board of Supervisors. A letter from the Department of Finance Administration – Local Government Division approving the budget for the fiscal year ended June 30, 2012 could not be located. The District did not include a copy of the approved budget in its 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.

Response

None provided

2010-4 Quarterly Financial Reports— Compliance and Internal Control

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, 2012. 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. The DFA report for the quarter ended June 30, 2012 was compared to the QuickBooks balances; and it was noted the balances on the DFA quarterly report do not reconcile to the QuickBooks balances. At June 30, 2012, the District showed \$128,120 in QuickBooks for cash accounts, but the amount reported on the June DFA quarterly report is \$80,807, resulting in a variance of \$47,314. The District cannot explain the difference.

Cause

The District does not have an efficient filing system in regards to financial reports. The DFA quarterly reports are not being reconciled to the QuickBooks balances.

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.

Response

None provided



2010-5 Bank Reconciliations— Compliance and Internal Control

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, it was 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.
- d) 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, 2012.

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.

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.

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 — Compliance and Internal Control

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.

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.

Response

None provided

2010-6.1 Internal Control Over Expenditures -- Compliance and Internal Control

Condition

Out of the 25 expenditures tested 1 in the amount of \$500 was misclassified and 2 lacked proper documentation. Also the first 6 months of the fiscal year payroll checks were recorded in QuickBooks at the net amount and no payroll tax liabilities were recorded.

Criteria

Proper accounting practice requires that all expenditures have supporting documents and proper authorization. The expenditures should be classified correctly in the general ledger.

Effect

In the case of missing supporting documentation, expenditures could not be evaluated for appropriateness due to the lack of documentation to demonstrate that it was for a business related purpose.

Inaccurate and omitted account coding can skew budget reports and subsequent year budgeting.

Cause

The board signed checks without ensuring the existence of proper supporting documents.

Recommendation

I recommend the board review supporting documentation prior to signing checks. I also recommend the board review the general ledger monthly to verify amounts are recorded in the correct account.

Response

None provided

2010-7 Internal Controls Over Revenue -- Compliance and Internal Control

Condition

Cash receipts are not issued in all instances. In 5 out of 15 receipts tested, receipts were not issued and therefore limited the ability to determine if those specific receipts were deposited on time. In addition, I was unable to determine the method of payment received (cash, check, or money order) for the 5 receipts that were not issued. Through discussion, it was also noted there is no formal policy for handling petty cash.

Criteria

Section 6-10-3 NMSA 1978 requires deposit of all receipts by the close of business the following day. Proper accounting practices further require documentation and formalization procedures for handling petty cash.

Effect

The audit trail is impaired. The source of a number of deposits cannot be identified.

Cause

Deposits are not made on a determined basis. Receipts are not issued for all revenue. Other agency employees in the building accept cash and issue receipts on the days the clerk is not in the office. However, receipts are not consistently issued. Revenues are recorded in QuickBooks with RSWCD as a description. Therefore, I was unable to agree QuickBooks revenue with actual receipts.

Recommendation

Deposits recorded in QuickBooks should have sufficient detail so the deposit can be traced to the receipts. Receipts should be issued for all funds received.

Response

None provided

2011-01 Form I-9 - Repeated— Compliance and Internal Control

Criteria

Federal regulations require that a properly completed Form I-9 be on file for employees hired after November 6, 1986.

Condition

In a random sample of twenty-five expenditures there were some payroll transactions included. In reviewing personnel files, it was noted that three employees did not have a Form I-9 on file.

Cause

District personnel were not aware of the requirements to maintain a properly completed Form I-9 on file for all employees hired after November 6, 1986.

Effect

The District was not in compliance with federal regulations governing the Form I-9. Auditors' Recommendation: We recommend that the District review its personnel files to ensure that a properly completed Form I-9 is available for all employees that are required to have one. Updated Forms I-9 should be obtained if needed.

Response

None provided.

2011-02 Schedule of Revenues and Expenditures – Budget and Actual— Compliance and Internal Control

Criteria

Tier 4 of the Audit Act –Section 12-6-3 B (4) NMSA and Section 2.2.2.16 NMAC require that a Schedule of Revenues and Expenditures – Budget and Actual be included in the agreed upon procedures report.

Condition

A Schedule of Revenues and Expenditures – Budget and Actual has been omitted from the agreed upon procedures report.

Effect

The District was not in compliance with Tier 4 of the Audit Act –Section 12-6-3 B (4) NMSA and Section 2.2.2.16 NMAC.

Cause

The District was not able to provide the information necessary to complete the required schedule. The original budget was not available. Budget adjustments were not available. The final budget was not available. The accounts listed on the budget are different from the accounts used in the District's general ledger and the District cannot provide a reconciliation showing how accounts on the general ledger are reported in the budget.

Recommendation

I recommend that the District in the future, should maintain copies of the original budget, any budget adjustments, and the final budget. A reconciliation showing how accounts on the general ledger are reported on the budget should also be maintained. The District should use the features in QuickBooks which will track actual expenditures and revenues versus budget.

Response:

None provided

2012-01 Improper Related Party Transaction-- Compliance and Internal Control

Criteria

Good accounting practices require that related party transactions are done on an arm's length basis. Lending on an interest free basis to a board member does not constitute an arm's length transaction. It also violates the Anti-Donation Clause (NM Constitution Article IX, Section 14). Which states neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit *or make any donation to or in aid of any person, association or public or private corporation* or in aid of any private enterprise. The anti-donation clause is designed to prevent the State and local governments from spending public funds on private interests.

Condition

In 2004 fiscal year, the District entered into a loan agreement with a board member. The agreement involved the District purchasing a piece of equipment for \$11,695 and immediately selling the equipment to a board member, financed as a loan through the District. The agreement required the board member to repay the \$11,695 interest free loan, over a five year period, beginning December 1, 2004. As of November 28, 2012 only two payments have been made.

Effect

Due to the contractual provision of an interest free loan, the District has forgone interest income and given preferential treatment to a board member and violated the Anti-Donation Clause (NM Constitution Article IX, Section 14).

Cause

The District did not apply proper accounting practices when entering into and approving the related party transaction.

Recommendation

The District should ensure that all related party agreements adhere to the same lending standards as in the normal course of business. The District should develop an adequate repayment plan to ensure the loan payments are caught up and future payments are made according to the loan agreement.

Response

None provided

2012-2 Fieldwork Completed and Report Issued Prior to Signed Contract-- Compliance and Internal Control

Condition

The fieldwork was completed and the report issued without a signed contract. Both the auditor and entity had signed the contract, but the State Auditor has not signed the contract because the June 30, 2011 agreed upon procedure report had not been submitted and accepted.

Criteria

Section 2.2.2.8(G)(6) NMAC states the Entity shall have a completed and signed contract prior to fieldwork and the report issued.

Effect

The District was not in compliance with Section 2.2.2.8(G)(6) NMAC.

Cause

The District and the auditor failed to realize the State Auditor had not signed the contract.

Recommendation

The District and auditor should verify they have a signed contract prior to fieldwork.

Response

None provided



EXIT CONFERENCE

The report contents were discussed at an exit conference held on November 8, 2012 with the following in attendance:

Roosevelt Soil and Water Conservation District

Mike Cone, Board of Supervisors member

Accounting Firm

Sandra Rush, CPA