
State of New Mexico
Roosevelt Soil and Water Conservation District

Independent Accountants' Report on
Applying Agreed-Upon Procedures
June 30, 2013

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1101 E Llano Estacado
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STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

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For the Year Ended June 30, 2013

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STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

Official Roster
For the Year Ended June 30, 2013

Board of Supervisors

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

Sandra Rush

Certified Public Accountant PC

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 Conservation District (District) and the New Mexico Office of the State Auditor 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, 2013. 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 Office of the State Auditor, 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
September 17, 2014

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 (4) checking accounts and two (2) savings accounts and utilizes QuickBooks to record cash transactions. All bank reconciliations for the four checking accounts are performed on a timely basis, there were no reconciliations for the two savings accounts. However the only activity in the savings accounts was interest income. All bank statements were complete and on-hand for the entire year. Finding 2010-Finding 2010-4 & 2010-5
- b) The QuickBooks total cash does not agree with the bank statement reconciliations. The four (4) checking accounts and two (2) savings accounts agreed with QuickBooks. However the Weather Modification QuickBooks shows a CD with a negative balance in the amount of (\$3,958). This CD was closed in August 2000, the interest income was not recorded correctly at that time. Finding 2010-5
- b) Bank account balances did not exceed uninsured limits as of June 30, 2013 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 was unable to provide an inventory list of movable chattels and equipment nor did they conduct an annual physical inventory for the year ended June 30, 2013. 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 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) Analytical review and test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) Amounts on 24 of 25 written receipts could not be traced to deposit slips or QuickBooks. Pre numbered receipts are not issued for all revenue. The receipts are not written in chronological order. However amounts recorded on QuickBooks agreed with deposit slips and bank statements. Through discussion, it was noted there is no formal policy for handling revenue and petty cash. Finding 2010-7
- c) Amounts are properly recorded on cash basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using 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 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 1 (one) check had no support documentation, 2 (two) bonus checks paid to staff, two (2) checks for donations, and one (1) check in the amount of \$2,500 recorded as a debit in revenue. Finding 2010-6.1
- b) Disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.

- c) The District paid \$12,500 plus New Mexico Gross Receipts Tax for construction of a front entry way. They were unable to provide documentation they obtained the best obtainable price in accordance with any procedures or processes set forth by State Purchasing Regulations. There was no documentation the District requested and/or obtained three (3) quotes, the only documentation available was the invoice for the construction. Finding 2013-1

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

- a) No journal entries were made for the year.
- b) Through discussion it was determined the District does not have policies and procedures that require journal entries to be reviewed and approved by the board.

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 original budget was approved by the Board of Supervisors. The original budget was not subsequently adjusted.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

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. Findings 2010-1 and 2012-1

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues and Expenses - Budget and Actual (Non GAAP Basis)
For the Year Ended June 30, 2013

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales				
Trees and shrubs	\$ 41,000	\$ 41,000	\$ 30,291	\$ (10,709)
Rental				
Building / grass drill	74,226	74,226	74,226	-
Interest	150	150	34	(116)
Low interest loan account	35,000	35,000	36,027	1,027
NMSU funding	10,000	10,000	12,989	2,989
Educational	100	100	75	(25)
Miscellaneous	240	240	-	(240)
Total revenues	160,716	160,716	153,642	(7,074)
Cash balance budgeted	88,381	88,381	88,593	212
Total revenues and cash balance budgeted	249,097	249,097	242,235	(6,862)
Expenditures				
Advertising	200	200	75	125
Bonding	600	600	591	9
Board election	500	500	166	334
Building	10,000	10,000	7,598	2,402
Contract services				
Accounting fees	7,500	7,500	5,384	2,116
Audit	10,000	10,000	813	9,187
Legal	250	250	107	143
Dues / registrations	1,500	1,500	1,255	245
Educational outreach	1,000	1,000	839	161
Insurance	2,600	2,600	2,600	-
Interest and penalty	35,000	35,000	-	35,000
Office supplies	3,950	3,950	2,286	1,664
Wages	37,000	37,000	29,541	7,459
Mileage / per diem	2,000	2,000	927	1,073
Miscellaneous	1,000	1,000	460	540
Supplies	3,500	3,500	643	2,857
Taxes - CRS	2,200	2,200	1,054	1,146
Utilities	14,000	14,000	13,335	665
Windbreak	24,000	24,000	17,883	6,117
Loan program	20,600	20,600	20,527	73
Loan payments	30,000	30,000	27,169	2,831
Total expenditures	207,400	207,400	133,253	74,147
Excess revenues over (under) expenses	\$ 41,697	\$ 41,697	\$ 108,982	\$ 67,285

4th Q, 2013

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-13
 Prepared by: Rita J. Modrell

Fund #	FUND	CASH BALANCE PER BOOKS October 1, 2012	INVESTMENTS YEAR TO DATE	QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS				BOOK BALANCE END OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
				REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BALANCE END OF PERIOD							
101	GENERAL	88,593.00	-	153,642.00	-	133,253.00	108,982.00	1,066.21	-	(13,807.91)	96,240.30	96,240.30	-	
218	INTERGOVT. GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	
299	OTHER	-	-	-	-	-	-	-	-	-	-	-	-	
400	DEBT SERVICE	-	-	-	-	-	-	-	-	-	-	-	-	
	GRAND TOTAL	\$ 88,593.00	\$ -	\$ 153,642.00	\$ -	\$ 133,253.00	\$ 108,982.00	\$ 1,066.21	\$ -	\$ (13,807.91)	\$ 96,240.30	\$ 96,240.30	\$ -	

SPECIAL DISTRICT NAME
 Roosevelt SWCD

Fiscal Year 2012/2013

REVENUES	CURRENT QUARTER	ACTUALS, YEAR TO DATE	APPROVED BUDGET	% OF BUDGET
General Fund 101				
Total Property Tax Production	-	-	-	#DIV/0!
Total Interest From Bank Accounts and CDs	8.00	34.00	150.00	22.67%
Hazardous Fuels Income	-	-	-	#DIV/0!
Rent Revenue	18,557.00	74,226.00	74,226.00	100.00%
OTHER	-	-	-	#DIV/0!
Grass Seed and Tree Sales	11,249.00	30,291.00	41,000.00	73.88%
Education Income	-	75.00	100.00	75.00%
Interstate Streams Loan Program Revenue	21,959.00	36,027.00	35,000.00	102.93%
	-	-	-	#DIV/0!
SUBTOTAL GENERAL FUND REVENUES	\$ 51,773.00	\$ 140,653.00	\$ 150,476.00	93.47%
OTHER FINANCING SOURCES Transfers In	-	-	-	#DIV/0!
Transfers (Out)	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	\$ -	\$ -	\$ -	#DIV/0!
TOTAL GENERAL FUND REVENUES	\$ 51,773.00	\$ 140,653.00	\$ 150,476.00	93.47%
Intergovernmental Grants 218				
State or University Grants	-	-	-	#DIV/0!
Federal Grants	-	-	-	#DIV/0!
State Grants	649.00	12,989.00	10,000.00	129.89%
Local Grants	-	-	-	#DIV/0!
Private Grants	-	-	-	#DIV/0!
Legislative Funding	-	-	-	#DIV/0!
MISCELLANEOUS PROGRAMS	-	-	-	#DIV/0!
Miscellaneous (e.g.NMDA)	-	-	240.00	0.00%
SUBTOTAL INTERGOVERNMENTAL GRANTS	\$ 649.00	\$ 12,989.00	\$ 10,240.00	126.85%
OTHER FINANCING SOURCES Transfers In	-	-	-	#DIV/0!
Transfers (Out)	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	\$ -	\$ -	\$ -	#DIV/0!
TOTAL GRANT REVENUES	\$ 649.00	\$ 12,989.00	\$ 10,240.00	126.85%
Debt Service 400				
General Obligation Bonds	-	-	-	#DIV/0!
General Obligation - (Property tax)	-	-	-	#DIV/0!
Investment Income	-	-	-	#DIV/0!
Other - Misc	-	-	-	#DIV/0!
Revenue Bonds	-	-	-	#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!
SUBTOTAL DEBT SERVICE FUND	\$ -	\$ -	\$ -	#DIV/0!
OTHER FINANCING SOURCES Transfers In	-	-	-	#DIV/0!
Transfers (Out)	-	-	-	#DIV/0!
TOTAL OTHER FINANCING SOURCES	\$ -	\$ -	\$ -	#DIV/0!
TOTAL DEBT SERVICE REVENUES	\$ -	\$ -	\$ -	#DIV/0!
GRAND TOTALS REVENUES	\$ 52,422.00	\$ 153,642.00	\$ 160,716.00	95.60%

DISTRICT NAME

Fiscal Year 2013

Roosevelt SWCD

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET	PERCENT OF BUDGET
GENERAL FUND 101				
Personnel Services, (Salaries and Benefits)	6,920.00	29,541.00	37,000.00	79.84%
Mileage and Per Diem	110.00	927.00	2,000.00	46.35%
Bonding Insurance	-	591.00	600.00	98.50%
Building Expenses (e.g. rent/maintenance)	766.00	7,598.00	10,000.00	75.98%
Utilities (Electricity, Natural Gas, Propane, Water, Sewer)	3,556.00	13,335.00	14,000.00	95.25%
Legal Fees	-	107.00	250.00	42.80%
Postage	46.00	213.00	650.00	32.77%
Office Supplies and Other Expenses	276.00	2,073.00	3,300.00	62.82%
Insurance	-	2,600.00	2,600.00	100.00%
Advertising and Public Relations (e.g. newsletter)	-	75.00	200.00	37.50%
Training Workshops & Education Expense	-	839.00	1,000.00	83.90%
Annual Audit/Financial Report Expenses	-	813.00	10,000.00	8.13%
Dues and Board Fees	718.00	1,255.00	1,500.00	83.67%
Election Expense	-	166.00	500.00	33.20%
Field Supplies & Equipment	90.00	643.00	3,500.00	18.37%
Cost Sharing Expense	-	-	-	#DIV/0!
Windbreak Expense	4,919.00	17,883.00	24,000.00	74.51%
Contractual Fees and Other Services	3,132.00	5,384.00	7,500.00	71.79%
GRT Taxes	480.00	1,054.00	2,200.00	47.91%
Miscellaneous (e.g. Emergency Meeting Expense)	-	460.00	1,000.00	46.00%
Total General Fund Expenditures	\$ 21,013.00	\$ 85,557.00	\$ 121,800.00	70.24%
Intergovernmental Grants Expenditures 218				#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!
Total Grant Expenditures	\$ -	\$ -	\$ -	#DIV/0!
Other Expenditures 299				#DIV/0!
Interest & Loan Payments	20,000.00	27,169.00	30,000.00	90.56%
Interstate Stream Loan Program Expense	20,527.00	20,527.00	20,600.00	99.65%
Low Interest Loan (LEPA)	-	-	35,000.00	0.00%
Total Debt Service Expenditures	\$ 40,527.00	\$ 47,696.00	\$ 85,600.00	55.72%
TOTAL EXPENDITURES	\$ 61,540.00	\$ 133,253.00	\$ 207,400.00	64.25%

STATE OF NEW MEXICO
ROOSEVELT SOIL AND WATER CONSERVATION DISTRICT

Schedule of Findings and Responses
For the Year Ended June 30, 2013

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current year findings			
Late Audit Report	Compliance and Internal Control	2010-1	2010-1
Annual Physical Inventory	Compliance and Internal Control	2010-2	2010-2
Quarterly Financial Reports	Compliance and Internal Control	2010-4	2010-4
Bank Reconciliations	Compliance and Internal Control	2010-5	2010-5
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
Antil Donation Violation Improper Related Party Transaction	Compliance and Internal Control	2012-01	2012-01
Procurement	Compliance and Internal Control		2013-1
Resolved			
Record of Approved Budget	Compliance and Internal Control	2010-3	
Pre-signed Checks	Compliance and Internal Control	2010-6	
Form I-9	Compliance and Internal Control	2011-01	
Schedule of Revenues and Expenditures	Compliance and Internal Control	2011-02	
Field Work Prior to Signed Contract	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

Condition

The Roosevelt Soil and Water Conservation District's agreed upon procedures report was not submitted to the New Mexico Office of the State Auditor until after the due date.

Criteria

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

Cause

The contract for the June 30, 2013 agreed upon procedures report was not signed until after the required deadline.

Effect

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

Recommendation

The District should attempt to get back on schedule and submit future agreed upon procedures report timely.

Response

As was stated in the earlier responses we were unable to file our audits on time because our previous auditors, Griego Professional Services would not do the work. It took many phone calls and redoing of contracts to finally get it done. The State Auditor's Office is fully aware of the problems we had getting the two previous audits done by them as I made several phone calls to Mr. Frank Valdez. We have tried diligently to get back on schedule but I am not sure we have got there. We are attempting to get on schedule.

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

Condition

The District was unable to provide an inventory list of movable chattels and equipment nor did they conduct an annual physical inventory for the year ended June 30, 2013.

Criteria

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

Cause

The District was unaware of the requirement to maintain a list of movable chattels and equipment or to perform an annual physical inventory.

Effect

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

Recommendation

The District should maintain a list of movable chattels and equipment. A physical inventory should be conducted at the end of each fiscal year. The agency should certify the correctness of the physical inventory. This certification should be provided to the agency's auditors.

Response

We will be reviewing the list on an annual basis.

2010-4 Quarterly Financial Reports— Compliance and Internal Control

Condition

The Roosevelt SWCD did submitted the required quarterly reports. However for the quarter ending June 30, 2013, has a (\$13,807.91) adjustment to the cash balance which the District is unable to explain. Also the total cash balance per QuickBooks is \$91,316.52 which includes a CD with a negative balance of (\$3,957.66) and petty cash of \$100.00, the report submitted to DFA has a book cash balance of \$108,982.00 prior to the (\$13,807.91) adjustment. The Weather Modification QuickBooks shows a CD with a negative balance in the amount of (\$3,958). This CD was closed in August 2000, the interest income was not recorded correctly at that time.

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.

Cause

The DFA quarterly reports are not being reconciled to the QuickBooks cash balances. Also, the QuickBooks Balance Sheets is not kept current, Weather Modification has had a negative CD balance since 2000.

Effect

The District was not in full compliance with Section 6-6-2 NMSA, 1978.

Recommendation

Quarterly reports should be accurately completed and filed timely. The District should correct the QuickBooks balance sheets so they reflect the correct balances for all balance sheet accounts.

Response

We have corrected all accounts as of September 30, 2014.

2010-5 Bank Reconciliations-- Compliance and Internal Control

Condition

While reviewing bank statements and bank reconciliations, it was noted:

- a) It could not be determined bank reconciliations are being reviewed by someone other than the preparer.
- b) There is no documentation the savings accounts are being reconciled.
- c) In QuickBooks, the Weather Modification Balance Sheet shows a certificate of deposit with a negative balance in the amount of (\$3,958) for all months of the fiscal year ended June 30, 2013.

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 and approve the reconciliations.

Cause

The District has not established good internal controls in regards to monthly bank reconciliations.

The CD was closed in August 2000, the interest income was not recorded correctly at that time.

Effect

The District's has not followed good internal controls that require approval of bank reconciliations by someone not responsible for their preparation. The financial statements do not accurately represent the financial position of the District when cash balances are not accurate.

Recommendation

The District should reconcile all bank accounts, including the ones with no activity. The reconciliations should be provided to the board for review and approval. 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 and approved.

A journal entry should be made to correct the negative CD balance.

Response

Bank reconciliations are reviewed at every monthly board meeting. We will start having the preparer and the Treasurer sign the reports.

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

Condition

Tests of transactions revealed 1 (one) check in the amount of \$250 had no support documentation, 2 (two) bonus checks totaling \$1,600 paid to staff, two (2) checks totaling \$325 for donations, and one (1) check in the amount of \$2,500 recorded as a debit in revenue.

Criteria

Tier 4 Agreed Upon Procedures mandate that expenditure transactions be properly approved and have adequate documentation supporting the transactions. The Board should retain all supporting documentation for expenditure transactions in alignment with State Records and Archives Guidelines.

Article 9, Section 14 of the constitution of New Mexico. This provision prohibits the District from making direct grants of aid to entities or persons, despite the need or value of the project, unless the strict requirements of the provision are satisfied.

Section 30-23-2 NMSA, 1978. 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 service (services) which have not in fact been rendered. Nothing in this section shall be construed to prevent the payment of public funds where such payments are intended to cover lawful remuneration to public officers or public employees for vacation periods or absences from employment because of sickness, or for other lawfully authorized purposes. Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.

Effect

Without the supporting documents the board is unable to determine the expenditure was for a business related purpose, the correct amount to be paid, verify the payee, and properly authorize the expenditure.

The District is not in compliance with Article 9, Section 14 of the constitution of New Mexico and Section 30-23-2 NMSA, 1978.

Cause

The board signed checks without ensuring the existence of proper supporting documents. They also paid a bonus to employees in addition to wages.

Recommendation

I recommend the board review supporting documentation prior to signing checks and comply with Article 9, Section 14 of the constitution of New Mexico by not making donations, and 30-23-2 NMSA, 1978 by not paying bonuses. Employees should only be paid for services rendered. Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.

Response

This finding indicated lack of supporting documentation, 2 checks for bonus paid to staff, 2 checks for donations and 1 check booked wrong. We agree that we did not have supporting documentation for this transaction and have implemented a process to make sure we have the proper documentation. As to the checks for bonuses the memos indicated they were for bonus pay but were actually for additional work on the outside grounds of our facility that was above and beyond the scope of their normal job responsibilities. The board will keep a closer watch on future checks issued for these matters and make sure coding and memos are correct. The checks for donations were actually for transportation to a Kids, Kows and More education event for grade school kids. The other check was also for supporting a playa lake education opportunity for grade school kids. The board will also work harder at making sure all checks are correct. As to the last item it appears that it was mistakenly entered wrong. The board will check to make sure transactions are entered correctly.

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

Condition

Amounts on 24 of 25 written receipts could not be traced to deposit slips or QuickBooks. Pre numbered receipts are not issued for all revenue, nor are receipts written in chronological order. Without properly dated receipts it is not possible to verify deposits are made timely. Through discussion, it was noted there is no formal policy for handling revenue and petty cash.

Criteria

Section 6-10-3 NMSA 1978 requires deposit of all receipts by the close of business the following day.

Good internal controls require all revenue be recorded at the correct amount. Pre numbered receipts should be issued for all revenue at the time the revenue is received. All receipts should be deposited in the bank the following day, and recorded timely, for the correct amount and in the correct account.

Proper accounting practices further require documentation and formalization policies and procedures for handling petty cash.

Effect

The source of a number of deposits cannot be identified.

Cause

Pre numbered 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 from the bank statement. Therefore, I was unable to agree QuickBooks revenue with actual receipts.

Recommendation

Pre numbered receipts should be issued for all revenue. The receipts should be issued in chronological order. All receipts should be deposited by the close of business the following day. Receipts not deposit slips should be used to record revenue in QuickBooks. The receipt numbers should be referenced in QuickBooks creating an audit trail.

Response

The administrative assistant has been instructed to make receipts for all revenue. Receipts will be referenced in QuickBooks.

2012-01 Anti-Donation Violation / 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 the 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 as an interest free loan, over a five year period, beginning December 1, 2004. As of September 17, 2014 only two payments have been made. This transaction was not recorded in QuickBooks.

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).

The Internal Revenue Service does not recognize interest free loans.

The financial statements are not accurate since the receivable was never recorded.

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. All transactions should be recorded in the general ledger.

Response

The board will review this transaction and resolve this issue.

2013-1 Procurement -- Compliance and Internal Control

Condition

The District paid \$12,500 plus New Mexico Gross Receipts Tax for construction of a front entry way. They were unable to provide documentation they obtained the best obtainable price in accordance with any procedures or processes set forth by State Purchasing Regulations. There was no documentation the District requested and/or obtained three (3) quotes, the only documentation available was the invoice for the construction.

Criteria

State Purchasing Regulations (1.4.1 NMAC): Small Purchases of \$20,000 or less: A state agency may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000) by issuing a direct purchase order to a contractor based upon the best obtainable price and in accordance with any procedures or processes set forth by the state purchasing agent.

Effect

The District is not in compliance with State Purchasing Regulations (1.4.1 NMAC).

Cause

The District did not document they followed State Purchasing Regulations (1.4.1 NMAC).

Recommendation

The District should retain documents that verify they followed State Purchasing Regulations (1.4.1 NMAC).

Response

Future procurement will have proper documentation.

EXIT CONFERENCE

The report contents were discussed at an exit conference held on September 17, 2014 with the following in attendance:

Roosevelt Soil and Water Conservation District
Rick Ledbetter, Board of Supervisors member
Mitzi Miller, Board of Supervisors member

Accounting Firm
Sandra Rush, CPA