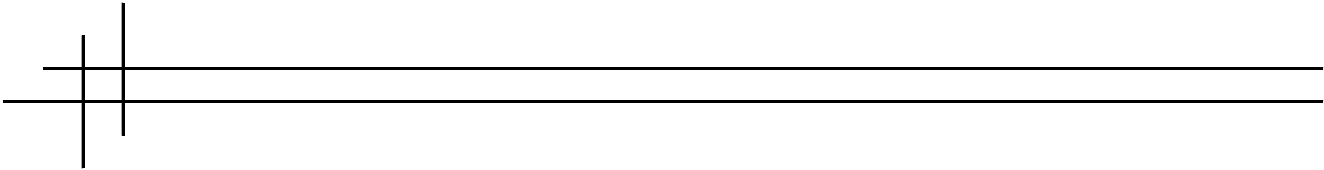


Roosevelt Soil and Water Conservation District
Portales, New Mexico

Independent Accountants' Report on
Applying Agreed-Upon Procedures
June 30, 2014

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



Roosevelt Soil and Water Conservation District
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For the Year Ended June 30, 2014

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Roosevelt Soil and Water Conservation District
Official Roster
June 30, 2014

BOARD OF SUPERVISORS

Mike Cone	Chairperson
Mitzi Miller	Vice-Chairperson
George Hay	Secretary
Rick Ledbetter	Treasurer
Gene Massey	Supervisor
Don Sanders	Supervisor
Quinten Carnes	Supervisor

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report on Applying Agreed Upon Procedures

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of Roosevelt Soil and Water Conservation District

We have performed the procedures enumerated below for Roosevelt Soil and Water Conservation District (District), for the year ended June 30, 2014. The District was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The District's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

1. Cash

- 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.
- 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:

The District has four checking accounts. All checking account's bank reconciliations have been performed on a timely basis and are on-hand.

The bank reconciliations tested were for the month ended June 30, 2014. The bank balances on the bank reconciliations agreed with the bank statements and the reconciled balances on the bank reconciliations agreed with the general ledger. The reconciled balances did not agree with the DFA report for June 30, 2014. The reconciled balances total \$142,326.99 and the DFA report has a cash balance of \$139,682.00 for a difference of \$2,644.99. Finding 2010-004

Because bank accounts did not exceed the uninsured limits as of June 30, 2014 pledged collateral is not required for any of the banks where the monies are held.

2. Capital Assets

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

Results:

The District could not confirm or provide documentation that they had conducted the annual physical inventory for the year ended June 30, 2014. Finding 2010-002. However as May 26, 2015 the District does have and is maintaining a inventory list.

3. Revenue

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue. Select a sample of revenues based on auditor judgment and test using 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:

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.

Amounts on 26 or 32 deposits could not be traced to receipts totaling \$15,013.40 of \$58,921.11 tested. There were receipts with no names, there were no preprinted numbers on the receipts and no reconciliation from the receipts to the deposits. Finding 2010-7

The accounting basis is cash basis as required. The revenue deposited was classified correctly and recorded in the correct period and the amount recorded in the general ledger agreed with the amount deposited. The revenue deposited did not always have supporting documentation or receipts. Finding 2010-7

4. Expenditures

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, 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:

The test sample of 37 expenditures were recorded. We verified that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

We verified that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

We verified 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) and found none that were violated.

5. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- 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:

There were no journal entries made in the general ledger.

6. Budget

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 review of the minutes indicated that the original budget was approved by the Board of Supervisors and that the original budget had not been adjusted.

The total of actual expenditures did not exceed the final budget at the fund level, the legal level of budgetary control.

We prepared a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body. This schedule was prepared from the original and final approved budgets and general ledger.

Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

Results:

Findings required to be disclosed by Section, 12-6-6 NMSA 1978 are disclosed in the Schedule of Findings and Responses. Findings 2010-007 and 2012-001.

We were not engaged to and did not conduct an audit or examination of the subject matter, the objective of which would be the expression of an opinion on the District's compliance with results of procedures required of a Tier 4 examination. 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 the management, the board members, the Office of the State Auditor, the Department of Finance and Administration, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby CPA PC

Clovis, New Mexico
May 19, 2015

Roosevelt Soil and Water Conservation District

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Non GAAP Basis)

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Conservation Sales	\$ 115,376	\$ 115,376	\$ 45,706	\$ (69,670)
Rental Income	0	0	74,226	74,226
NMSU Funding	10,000	10,000	12,520	2,520
Principal and Interest Received on LEPA Loans	35,000	35,000	71,249	36,249
Other	340	340	23	(317)
Total Revenues	<u>160,716</u>	<u>160,716</u>	<u>203,724</u>	<u>43,008</u>
Expenditures				
Accounting	0	0	1,482	(1,482)
Advertising and Public Relations	200	200	375	(175)
Annual Audit	10,000	10,000	8,841	1,159
Bonding	600	600	591	9
Building	10,000	10,000	0	10,000
Dues and Board Fees	1,500	1,500	1,495	5
Education	1,000	1,000	520	480
Election	500	500	0	500
Insurance	3,600	3,600	5,059	(1,459)
Janitorial	7,500	7,500	7,200	300
Landscape	0	0	1,643	(1,643)
Legal Fees	250	250	0	250
Mileage and Per Diem	2,000	2,000	290	1,710
Miscellaneous	1,000	1,000	0	1,000
Office	3,300	3,300	954	2,346
Personnel Services	37,000	37,000	20,171	16,829
Postage	650	650	46	604
Repairs and Maintenance	0	0	487	(487)
Supplies	3,500	3,500	1,097	2,403
Taxes	2,200	2,200	2,220	(20)
Travel	0	0	394	(394)
Utilities	16,000	16,000	14,366	1,634
Conservation Expenses	24,000	24,000	2,483	21,517
Debt Service				
Loan Payments Building	30,000	30,000	30,144	(144)
Loan Payments LEPA	55,600	55,600	58,364	(2,764)
Total Expenditures	<u>210,400</u>	<u>210,400</u>	<u>156,740</u>	<u>53,660</u>
Excess (Deficiency) of Revenues Over Expenditures	(49,684)	(49,684)	46,984	96,668
Cash Balance Beginning of Year	<u>95,343</u>	<u>95,343</u>	<u>95,343</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 45,659</u>	<u>\$ 45,659</u>	<u>\$ 142,327</u>	<u>\$ 96,668</u>

Roosevelt Soil and Water Conservation District
 Schedule of Findings and Responses
 June 30, 2014

Prior Year Audit Findings

Status

2010-001	Late Audit Report	Repeated
2010-002	Annual Physical Inventory	Repeated
2010-004	Quarterly Financial Reports	Repeated & Modified
2010-005	Bank Reconciliations	Resolved
2010-006	Internal Control Over Expenditures	Resolved
2010-007	Internal Controls Over Revenues	Repeated
2012-001	Anti-Donation Violation	Repeated
2013-001	Procurement	Resolved

Current Year Audit Findings

2010-001 Late Agreed Upon Procedures Report - Compliance and Internal Control
 (2010-1) **Condition**

The District's agreed upon procedures report was not submitted to the New Mexico Office of the State Auditor until after the due date. It was received by the State Auditor May 31, 2015.

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, November 30, 2014.

Cause

The contract for the June 30, 2014 agreed upon procedures report was not signed until after the required deadline.

Effect

The District was not in compliance with the State Auditor Rule, Section 2.2.2.16 H.

Recommendation

The District should contract with an IPA timely and submit the AUP report timely.

Response

We have contracted with an IPA and will submit future reports timely.

2010-002 Annual Physical Inventory-Compliance and Internal Control
 (2010-2) **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, 2014.

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 provide the certification for the year ending June 30, 2015.

2010-004 (2010-4) Quarterly Financial Reports - Compliance and Internal Control Condition

The June 30, 2014 DFA Financial Report did not agree to the general ledger. The cash balance was reported to DFA was \$139,692.00. The general ledger and bank reconciliations were \$142,326.99 for a difference of \$2,644.99.

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 person responsible for the June 30, 2014 is no longer at the District and was not available to explain the difference.

Effect

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

Recommendation

Quarterly reports should be accurately completed . The District should ensure that the correct balances be reported to DFA.

Response

We believe the current employee responsible for the DFA Financial Reports will be filing them correctly beginning with the report due June 30, 2015.

2010-007 (2010-7) Internal Controls Over Revenues - Compliance and Internal Control Condition

Amounts on 26 or 32 deposits could not be traced to receipts totaling \$15,013.40 of \$58,921.11. There were receipts with no names, there were no preprinted numbers on the receipts and no reconciliation from the receipts to the deposits, nor were the deposits made within 24 business hours.

Criteria

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

Good internal controls require all revenue be recorded at the correct amount, made out to the payee, given to the payee and issued on renumbered receipts.

The receipts issued should be reconciled to the deposits made and deposited within 24 hours.

Cause

Pre numbered receipts are not issued for all revenue collected. Other agency employees in the building accept cash and issue receipts on the days the clerk is not in the office. The receipts are not consistently issued. Revenues are recorded in the general ledger from the bank statements and are not reconciled to the receipt book.

Effect

The source of a number of deposit cannot be identified. There are no assurances that all revenue collected was deposited into the bank account.

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 the 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

Above recommendations were implemented November 1, 2014.

2012-001 Anti-Donation/Improper Related Party Transaction - Compliance and Internal Control
(2012-01) **Condition**

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). This Clause 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 state and local governments from spending public funds on private interests.

Criteria

In 2004, 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 May 27, 2015 only two payments have been made. This transaction is not recorded in QuickBooks.

Cause

The equipment is a water softener and was an experiment to determine if conditioning the water would improve crop yields. It was a risky purchase in that if yields did not improve, the cost of the equipment could not be recovered. The equipment is attached to the irrigation well and has very little resale value. Data was not maintained to determine if the experiment was successful.

Effect

The District has violated the Anti-Donation Clause (NM Constitution Article IX, Section 14).

Recommendation

The loan has matured and should be paid in full or the board should consult legal council and determine what actions can be taken to remedy the loan.

Response

We will consult with legal council to resolve the loan.

2014-001 Late IPA recommendation and Agreed-Upon Procedures Contract
Condition

The IPA recommendation and Agreed-Upon procedures contract were not submitted to the State Auditor until December 8, 2014.

Criteria

In accordance with Section 2.2.2.16.D, NMAC the IPA recommendation and the Agreed-Upon procedures contract should have been submitted to the State Auditor on or before July 1.

Cause

The District is behind in contracting IPAs and submitting the AUP reports timely.

Effect

The users of the report such as legislators, government agencies, management, etc., do not have timely reports for their review.

Recommendation

The IPA recommendation and contract should be sent to the State Auditor by July 1.

Response

We have already submitted the IPA recommendation and contract for the current year ending June 30, 2015.

Exit Conference

An exit conference was held on May 19, 2015 Those present were Mitzy Miller, Vice-Chairperson, Rick Ledbetter, Treasurer and De'Aun Willoughby, CPA.