

STATE OF NEW MEXICO
Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant)
Tier 4 Agreed Upon Procedures Report
June 30, 2019

**Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant)
Tier 4 Agreed Upon Procedures Report**

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Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant)
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Official Roster

As of June 30, 2019

David Archuleta – President

Frank Lopez – Vice President

Tomas Barela – Treasurer

Joddie Valdez – Secretary

Max Archuleta – Range Manager



Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Brian S. Colón
New Mexico State Auditor
and
David Archuleta, President
Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant)
Abiquiu, NM 87510

We have performed the procedures enumerated below, which were agreed to by the New Mexico Office of the State Auditor and Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant) for the year ended June 30, 2019, solely to assist in determining compliance with, and pursuant to, Tier 4 of the Audit Act (Section 12-6-1 et seq., NMSA 1978). The procedures were agreed to by the Abiquiu Land Grant through the New Mexico Office of the State Auditor. The Abiquiu Land Grant's management is responsible for its accounting records and the subject matter. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."
The Abiquiu Land Grant correctly calculated its revenues and determined as a Tier 4 agreed-upon procedures engagement.
2. 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.
Exception - The Abiquiu Land Grant uses an excel worksheet to summarize the bank account activities for each month (i.e., beginning balance, debits, credits, fees, interest, and ending balance). There are no bank reconciliations that show outstanding deposits or checks for each period. See finding 2016-007.

- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

Exception – There are no bank reconciliations that show outstanding amounts, nor does the entity maintain a general ledger. See finding 2016-007.

- c) Determine whether the local public body’s financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Exception - The bank balances of the Abiquiu Land Grant exceeded the FDIC limit by \$25,294 for the period ending June 30, 2019. The Abiquiu Land Grant does not have pledged collateral for amounts in excess of FDIC insurance. See finding 2018-001.

3. Capital Assets –

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

Exception - The Abiquiu Land Grant has fourteen items on its capital assets listing; however, there were no values, date acquired, nor accumulated depreciation associated with those assets. See finding 2016-006.

4. Revenues –

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

The Abiquiu Land Grant receives revenues from grazing fees, tree sales, membership fees, elk permits, and other income.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Exception - The Abiquiu Land Grant does not utilize an accounting system to record its revenues, expenditures, and the operating budget; as a result, budget to actual comparisons are not available for review. Per review of the Board Minutes, the Board did approve the operating budget for the fiscal year; however, the Abiquiu Land Grant did not retain a copy for its records. See findings 2016-001 and 2016-004.

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

Exception - The Abiquiu Land Grant does not utilize an accounting system to classify its revenues, nor maintain a general ledger. There were no supporting documents for deposits made in July through September 2018, totaling \$2,145. We tested three months of deposits (February to April 2019) totaling \$32,002, or 49.69% of total deposits, and found supporting documents agreed to amounts posted on bank statements. See findings 2016-004 and 2016-005.

- 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.

Exception - The Abiquiu Land Grant does not utilize an accounting system to classify its revenues, nor maintain a general ledger. The summary of the bank account activities worksheet prepared by the Abiquiu Land Grant approximates the cash basis of accounting. See findings 2016-001 and 2016-004.

5. Expenditures –

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date, and description agree to the vendor's invoice, purchase order, contract, and canceled check, as appropriate.

Exception – The Abiquiu Land Grant did not prepare a check details worksheet for FYE2019. We took the first check written at the beginning of the fiscal year and the last check that cleared the bank in June 2019 to determine the check population of 102. We randomly selected twenty-eight disbursements, totaling \$12,910.65 for testing, representing 32.47% of the total disbursements. We found two payments for \$3,689.51, or 28.58% of the sample, without supporting documents. See finding 2016-005.

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

Exception - The Abiquiu Land Grant does not utilize an accounting system that classified expenditures, nor maintain a general ledger. We reviewed board minutes, which showed some payments were approved by the Board, but not all. We were unable to determine whether the disbursements comply with budget line items or in accordance with established policies or procedures. However, we noticed that all

canceled checks for the above disbursements were signed by the Treasurer. See findings 2016-004 and 2016-005.

- 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).

The Abiquiu Land Grant does not have employees and, therefore, does not follow the State Per Diem and Mileage Act. Since there was no check details worksheet prepared for the current fiscal year, we scanned the canceled checks on bank statements, noting the disbursements represent small purchases under Section 13-1-125, NMSA 1978.

6. Journal Entries –

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.

The Abiquiu Land Grant does not utilize an accounting system and, therefore, does not post journal entries.

- b) The local public body has policies and procedures that require journal entries to be reviewed, and there is evidence the reviews are being performed.

The Abiquiu Land Grant does not utilize an accounting system and, therefore, does not post journal entries.

7. Budget –

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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.

Exception - The Board approved the operating budget for the fiscal year; however, the Abiquiu Land Grant did not retain a copy of the operating budget. Since the Abiquiu Land Grant does not utilize an accounting system, It does not have a formal budget report that includes the original budget, final budget, and actual expenditures. The Abiquiu Land Grant did not submit a copy of the approved budget to the DFA-LGD. See findings 2016-001 and 2016-004.

- b) Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

Exception - The Abiquiu Land Grant does not utilize an accounting system and, therefore, the budget to actual report is not available for review. See findings 2016-001 and 2016-004.

- 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.

Exception - The Abiquiu Land Grant does not utilize an accounting system and, therefore, does not have a formal budget report that includes the original budget, final budget, and actual expenditures. See findings 2016-001 and 2016-004.

8. 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 all required content detailed in Section 2.2.2.10(L) NMAC.

We found that certain reports were not submitted or filed by the due dates (see finding 2016-002). We also found that the Abiquiu Land grant did not issue Form 1099-MISC for contract labor (see finding 2016-003). See the Schedule of Findings and Responses listed in the table of contents.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier 4 agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. 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 of Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant), the New Mexico State Auditor, the Department of Finance and Administration Local Government Division (DFA-LGD) and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.



Zlotnick, Laws & Sandoval, PC
July 10, 2020

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Schedule of Revenues and Expenditures – Budget to Actual

The Abiquiu Land Grant does not use an accounting system, nor a budget process to generate the required schedule. The following schedule was created based on the Abiquiu Land Grant excel worksheets.

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u> <u>Actual</u>	
Revenues:				
Elk tags	Not		\$ 22,500 *	\$ 22,500
Other income	Available		41,903	41,903
Total revenues			<u>64,403</u>	<u>64,403</u>
Expenditures:				
Contract labor	Not		Not	
Insurance	Available		Available	
Professional services				
Receipt reimbursements				
Repairs and maintenance				
Scholarship				
Supplies				
Miscellaneous				
Total expenditures			<u>39,760</u>	<u>\$ (39,760)</u>
Excess of revenues over expenditures			\$ 24,643	

* - The amount was stated in the Board Minutes, dated February 16, 2019.

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Financial Report Submitted to DFA

The Abiquiu Land Grant did not submit financial reports to the DFA.

Schedule of Findings and Responses

2018-001 Pledged Collateral – Noncompliance (Revised and Repeated)

Condition:

The Abiquiu Land Grant maintains deposits with a local financial institution that exceeded the FDIC limit by \$25,294 for the period ending June 30, 2019, without a pledged collateral.

The Tier 4 agreed-upon procedures for fiscal years 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

Section 6-10-17 of the Public Money Act requires public funds deposited with financial institutions to be monitored for collateralization. Deposits in excess of FDIC insurance must be collateralized with acceptable securities having a market value of not less than fifty percent of the uninsured balance.

Effect:

The Abiquiu Land Grant is not in compliance with the Public Money Act.

Cause:

The Abiquiu Land Grant is not aware of the Public Money Act requirements.

Recommendation:

The Abiquiu Land Grant should request a pledged collateral from its financial institution as required under State statutes or reduce its concentration by transferring some money to another financial institution to meet the FDIC threshold.

Management Response & Corrective Action:

The Board of Trustees will begin to research the viability of other investment and banking options, including banking institutions, the State Treasurer's Office, and the State Investment Council.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-001 Noncompliance with Budget Laws and Regulations (Revised & Repeat)

Condition:

The Board approves the annual operating budget, but it did not retain a copy for its records; as a result, the Abiquiu Land Grant exceeded its operating budget by \$39,760 in the current fiscal year. The Abiquiu Land Grant did not submit the approved budget and the final report to the DFA-LGD. The Abiquiu Land Grant does not utilize an accounting system that is capable of generating a basic financial statement and the budget to actual report.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

Section 6-6-3 to 6-6-6, NMSA 1978 requires local public bodies to maintain books of record and that no governing authority or official of a local public body allow or approve claims in excess of the approved budget.

Effect:

The Abiquiu Land Grant does not utilize an accounting system and unable to meet the basic financial statements reporting requirement, which includes the budget to actual reporting that can be submitted to the DFA-LGD.

Cause:

There are no accounting policies that require proper financial and compliance reporting.

Recommendation:

We recommend that the Abiquiu Land Grant utilize an accounting system to record assets, liabilities, revenues, expenditures, approved budget, and to prepare financial statements. The DFA-LGD has resources and provides training to local public bodies to comply with budgeting and financial statements reporting requirements.

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Management Response & Corrective Action:

The Board of Trustees agrees with the recommendation and will begin to research accounting systems and will contact the Department of Finance and Administration, Local Government Division in an effort to obtain training and move into compliance with local public body reporting requirements.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-002 LATE REPORT – Noncompliance (Repeat)

Condition:

The 2019 Tier 4 Agreed Upon Procedures Report was submitted after the due date.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

NMAC 2.2.2.16 G (1): Local public bodies with a fiscal year-end other than June 30 shall submit the agreed-upon procedures report or certification no later than five months after the fiscal year-end.

Effect:

The report is not made available to the public in a timely manner, and the usefulness of the Report is thereby impaired.

Cause:

The Abiquiu Land Grant is made up of volunteer board members, and they were not aware of the requirements under the State Audit Rule.

Recommendation:

We recommend that management set and follow deadlines for the contracting with an IPA and the completion and submission of the report that ensure timely reporting and compliance with NMAC 2.2.2.

Management Response & Corrective Action:

The Board of Trustees agrees with the recommendation and has every intention of complying with future reporting requirements and deadlines.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-003 Form 1099-MISC – Noncompliance (Repeat)

Condition:

The Abiquiu Land Grant hired individual contract laborers to perform various services. The Abiquiu Land Grant did not issue Form 1099-Misc for those individuals.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

The Internal Revenue Service requires an employer to issue Form 1099-Misc for nonemployee compensation of \$600 or more during the year under Section 530 of the Revenue Act of 1978.

Effect:

The Abiquiu Land Grant could be penalized under IRC 6721 for failure to timely file the required form. The penalty could be up to \$530 per return with no limit on amounts assessed.

Cause:

Unknown.

Recommendation:

We recommend that the Abiquiu Land Grant establish procedures to require the independent contractor to fill out Form W-9, and to implement an accounting system to keep track of revenues, expenditures, and approved budget, and to issue Form 1099-Misc for contractors receiving \$600 or more in compensation for a calendar year.

Management Response & Corrective Action:

The Board of Trustees recognizes the finding and will research options for implementing an accounting system and/or contracting for bookkeeping services in order to comply with the requirements under Section 530 of the Revenue Act of 1978.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-004 Lack of Accounting System (Repeat)

Condition:

The Abiquiu Land Grant does not utilize an accounting system to record financial transactions and activities, such as cash receipts, cash disbursements, journal entries, budgeting activities, cash reconciliations, etc. The excel worksheets provided by the Abiquiu Land Grant does not show the transactions in the account formats that include assets, liabilities, net positions, revenues, and expenditures.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

Section 6-6-3 to 6-6-6, NMSA 1978 requires local public bodies to maintain books of record and that no governing authority or official of a local public body allow or approve claims in excess of the approved budget.

Effect:

The Abiquiu Land Grant is unable to meet the basic financial statements reporting requirement, which includes the budget to actual reporting that can be submitted to the DFA-LGD.

Cause:

There are no policies or procedures to address these needs.

Recommendation:

We recommend that the Abiquiu Land Grant utilize an accounting system to record assets, liabilities, revenues, expenditures, and approved budget to allow for the preparation of financial statements.

Management Response & Corrective Action:

The Board of Trustees recognizes the finding and agrees to research opportunities to contract for bookkeeping services in order to develop independently verifiable financial statements in compliance with Section 6-6-3 to 6-6-6, NMSA 1978.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-005 Missing Supporting Documents (Revised & Repeat)

Condition:

The Abiquiu Land Grant does not have written policies or procedures on how transactions should be processed, approved, and recorded to generate financial statements. We could not locate supporting documents for deposits made from July to September 2018, which totaled \$2,145, other than the canceled deposit slips on the monthly bank statement. We also examined twenty-eight disbursements totaling \$12,910.65 out of \$39,635.13. We found two payments for \$3,689.51, representing 28.58% of the sample, without supporting documents.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

Section 6-6-3 to 6-6-6, NMSA 1978 requires local public bodies to maintain books of record and that no governing authority or official of a local public body allow or approve claims in excess of the approved budget.

Effect:

The agreed-upon procedures cannot be performed without the supporting documents, and disbursements could be made for goods or services not received.

Cause:

Unknown.

Recommendation:

The Abiquiu Land Grant should establish written policies and procedures for processing, approving and recording transactions in the accounting system. The Abiquiu Land Grant should also establish a record retention policy that requires the retention of supporting documentation until five years from the date of the issuance of the "audited" or other report submitted to State authorities.

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Management Response & Corrective Action:

The Board of Trustees recognizes the finding and agrees to research opportunities to contract for bookkeeping services in order to develop independently verifiable financial statements in compliance with Section 6-6-3 to 6-6-6, NMSA 1978. The Board will develop record retention policies to ensure all transactions have adequate supporting documentation.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-006 Capital Assets (Repeat)

Condition:

The Abiquiu Land Grant capital assets listing consists of fourteen (14) items, but there are no indications that physical inventory was performed annually. We were unable to determine the Abiquiu Land Grant capitalization policy since the listing does not include the cost of each asset, date acquired, accumulated depreciation, and current year depreciation expense.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

Good accounting practices would prescribe that the entity should have complete and accurate capital assets listing. Under Section 12-6-10 NMSA 1978, the Abiquiu Land Grant is required to perform an annual physical inventory of its capital assets.

Effect:

The Abiquiu Land Grant cannot value its capital assets for financial statement purposes.

Cause:

The Abiquiu Land Grant does not utilize an accounting system to keep track of capital assets.

Recommendation:

We recommend that the Abiquiu Land Grant establish an asset capitalization policy or use the current State policy of \$5,000 or above. The Abiquiu Land Grant should also recreate a capital asset listing to include all the above elements to determine the book value of the capital assets.

Management Response & Corrective Action:

The Board of Trustees recognizes the finding and agrees to research opportunities to contract for bookkeeping services in order to develop independently verifiable financial statements in compliance with Section 6-6-3 to 6-6-6, NMSA 1978. The Board will also develop an asset capitalization policy.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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2016-007 Bank Reconciliations (Repeat)

Condition:

The Abiquiu Land Grant does not perform bank reconciliations. The worksheets provided only show the summary of checks and deposits that have already cleared the bank accounts.

The Tier 4 agreed-upon procedures for fiscal years 2016, 2018 and 2019 were performed concurrently; therefore, management could not address the prior year findings until after the 2019 agreed-upon procedures report was completed.

Criteria:

Good accounting practices would prescribe that the entity perform timely monthly bank reconciliations.

Effect:

The Abiquiu Land Grant cannot identify outstanding checks or deposits that may have a significant effect on its bank accounts, nor measure the true bank balances.

Cause:

The Abiquiu Land Grant does not utilize an accounting system, nor does it have policies that require the preparation of bank reconciliations.

Recommendation:

We recommend that the Abiquiu Land Grant utilize an accounting system and establish policies that require reconciled monthly bank statements that show outstanding checks and deposits, and true account balances as of bank statement date.

Management Response & Corrective Action:

The Board of Trustees recognizes the finding and agrees to research opportunities to contract for bookkeeping services in order to develop independently verifiable financial statements in compliance with Section 6-6-3 to 6-6-6, NMSA 1978. The Board will also establish policies and procedures for the timely reconciliation of bank statements.

The Board Treasurer will implement the above corrective action plan within ninety (90) days from the exit conference date.

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Exit Conference

An exit conference was held On August 14, 2020 with the following individuals to discuss the results of the agreed-upon procedures and the contents of this report in a closed meeting:

Mercedes Del Pueblo Abiquiu (Abiquiu Land Grant)

Victoria Garcia – President

Tomas Barela – Treasurer

Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA

Ban Trinh, CPA