



OFFICE OF THE STATE AUDITOR
Hector H. Balderas

Acequia de la Cienega

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Year Ended December 31, 2010

Acequia de la Cienega

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Fiscal Year Ended December 31, 2010

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Acequia de la Cienega
Official Roster
Fiscal Year Ending December 31, 2010

Board of Commissioners

Brenda Dominguez, Chairperson

Richard Romero, Secretary

Henry Gonzales, Treasurer

Mayordomos

Reynaldo Romero

Administrative Staff

None



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas
State Auditor

Carla C. Martinez
Deputy State Auditor

Independent Accountant's Report on Applying Agreed-Upon Procedures

Brenda Dominguez, Chairperson
and Members of the Board of Commissioners
Acequia de la Cienega
410 Los Pinos Rd.
Santa Fe, New Mexico 87507

We have performed the procedures enumerated below for the Acequia de la Cienega (Acequia) for the year ended December 31, 2010, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Acequia through the New Mexico Office of the State Auditor. The Acequia'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. Test all state-funded capital outlay expenditures.
 - a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

All of the cash disbursements for the capital award projects were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. However, the Acequia did not maintain an adequate an accounting of the disbursements and the Acequia did not maintain copies of all records. Several records were requested and obtained from the New Mexico Office of the State Engineer. See Findings 2010-2 and 2010-3 on p. 8-9 of this report.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the Acequia's procurement 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

For the work done on the ditch repair projects, the Acequia advertised, obtained bids and quotes where necessary, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations.

- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.

The repair work was physically observed during a tour of the Reservoir in La Cienega and the Acequia de la Cienega on August 26, 2014.

- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

Status reports were not required by the terms of agreements with the NM Office of the State Engineer/Interstate Stream Commission (OSE/ISC). The Acequia submitted the required budgets and reimbursement forms for the projects to the OSE/ISC.

2. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

The projects were not funded in advance. The Acequia was required to submit reimbursement forms to the OSE/ISC upon completion of work on the project. The Acequia paid for its project expenditures after the Acequia received checks from the OSE/ISC.

3. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

The appropriations totaling \$265,000 to the Acequia for the repair of ditch breaches under Capital Appropriation Agreements with the New Mexico Interstate Stream Commission (NMISC) was fully expended by the Acequia on the repair projects. For each appropriation, the cash amounts received equaled the amount of expenditures.

4. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

The checks received from the OSE/ISC were deposited in the Acequia's bank account at Century Bank prior to April 21, 2010 and Guadalupe Credit Union after April 21, 2010. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

5. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

The Acequia filed Request for Reimbursement Forms with the OSE/ISC based on unpaid invoices submitted to the Acequia by vendors who had performed work on Acequia projects. The costs were not paid by the Acequia prior to the request for reimbursement because the Acequia did not have the necessary funds. The Acequia paid for its project expenditures after the checks were received from the OSE/ISC. A finding was not considered necessary since the Acequia complied with the OSE/ISC's reimbursement procedures requirements.

6. 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.

See Finding 2010-01 on p. 7 of this report.

7. The report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See Exhibit 1 — Schedule of Capital Outlay Awards to Acequia on p. 6 of this report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Tier 3 agreed upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Acequia, the New Mexico State Auditor, the NM Office of the State Engineer, the NM Department of Finance and Administration — Local Government Division, and the NM State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Office of the State Auditor

Office of the State Auditor

September 4, 2014

Acequia de la Cienega
Exhibit 1 – Schedule of Capital Outlay Awards to Acequia
December 31, 2010

	Note 1	Note 2	Note 3	Total
Amount Awarded for Project	\$200,000	\$ 15,000	\$ 50,000	\$265,000
Amount Received by Acequia	200,000	15,000	50,000	265,000
Amount Expended in Prior Years	(114,994)	(-0-)	(29,631)	(144,625)
Amount Expended in Current Year	<u>(85,006)</u>	<u>(15,000)</u>	<u>(20,369)</u>	<u>(120,375)</u>
Remaining Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Agreement Provisions

Note 1: Acequia Capital Appropriation Project Agreement between the New Mexico Office of the State Engineer (OSE), the Interstate Stream Commission (ISC) and Acequia de la Cienega

Legislative Authority: NM Laws of 2006, Chapter 111, Section 43, Item 44

Date of Agreement with NMISC: September 13, 2006

Project Description: For the purpose of funding improvements and repairs to the Acequia's irrigation system, located in La Cienega in Santa Fe County, New Mexico. The project includes the purchasing and installing of pipelines, valves and headgates.

Estimated Project Cost: \$200,000

Agreement termination/reversion date: All written requests for reimbursement must be received by ISC no later than June 30, 2010.

Note 2: Acequia Capital Appropriation Project Agreement between the New Mexico Office of the State Engineer (OSE), the Interstate Stream Commission (ISC) and Acequia de la Cienega

Legislative Authority: NM Laws of 2008, Chapter 92, Section 57, Item 39

Date of Agreement with NMISC: September 23, 2008

Project Description: To plan, design, construct and install improvements to the Acequia de la Cienega in Santa Fe County, New Mexico.

Estimated Project Cost: \$15,000

Agreement termination/reversion date: July 1, 2012

Note 3: Acequia Capital Appropriation Project Agreement between the New Mexico Office of the State Engineer (OSE), the Interstate Stream Commission (ISC) and Acequia de la Cienega

Legislative Authority: NM Laws of 2005, Chapter 347, Section 10, Paragraph 3

Date of Agreement with NMISC: March 28, 2006

Project Description: To purchase and install improvements, to the Acequia including pipelines, valves and headgates for the Acequia de la Cienega in Santa Fe County in Santa Fe County, New Mexico.

Estimated Project Cost: \$50,000

Agreement termination/reversion date: All written requests for reimbursement must be received by ISC no later than June 30, 2010.

**Acequia de la Cienega
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

Status of Prior Year Findings

Not applicable.

Current Year Findings

Finding 2010-01 Late Agreed-upon Procedures Report

Condition:

This agreed-upon procedures report for FY 2010 was not submitted to the NM Office of the State Auditor (OSA) no later than 5 months after the fiscal year-end.

Criteria:

Per Section 2.2.2.16(H) NMAC, "Local public bodies with a fiscal year-end other than June 30 must submit the agreed-upon procedures report no later than 5 months after the fiscal year-end."

Effect:

If the report is late, users of the report are not receiving timely information about the results of the agreed-upon procedures.

Cause:

According to State Audit Rule, Section 2.2.2.16(B) NMAC, "Annually, the State Auditor shall provide local public bodies written authorization to proceed with obtaining services to conduct a financial audit or other procedures." The Acequia was unaware that by accepting and spending capital outlay money the Acequia would be required to have a Tier 3 engagement performed.

Recommendation:

The officers of the Acequia should read Section 2.2.2.16 NMAC of the State Audit Rule to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, if the Acequia's annual revenue is less than \$50,000 and the Acequia expended at least 50% of, or the remainder of, a single capital outlay award, then the Acequia shall procure services of an IPA for the performance of a Tier 3 Agreed Upon Procedures engagement (Section 2.2.2.16(B)(3) NMAC). If the annual revenues of the Acequia exceed \$50,000, review Section 2.2.2.16 NMAC for the applicable requirements. If agreed-upon procedures are required for future fiscal years, take the necessary steps to ensure that the agreed-upon procedures report is submitted to the OSA no later than 5 months after the fiscal year-end.

Management's response:

The Commissioners of Acequia de la Cienega agree with the above recommendation and the agreed-upon procedures report will be submitted in a timely manner.

**Acequia de la Cienega
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

Finding 2010-2 No Records of Financial Transactions

Condition

The Acequia did not maintain adequate records of cash receipts and disbursements to account for the financial transactions of the capital outlay awards and related projects. In addition, the Acequia's check register for its bank account at Century Bank (prior to 4/21/2010) and Guadalupe Credit Union (after 4/21/2010) in fiscal year 2010 is incomplete and does not fully document all cash receipts and disbursements of the Acequia.

Criteria

Article 2, Sections 2b and 2c of the By-Laws of the Acequia indicate, "the Secretary is responsible for keeping complete and accurate records" and "the Treasurer shall be responsible for management of the finances of the Acequia", respectively. In addition, the Acequia must maintain records of financial affairs in order to comply with the Audit Act (Section 12-6-3 NMSA1978) and the provisions of the capital outlay agreements.

Effect

Financial reporting errors and fraud could occur if complete and accurate records and check registers are not maintained by the Acequia. In addition the Acequia may not be able to demonstrate compliance with laws, regulations and agreements.

Cause

The commissioners of the Acequia de la Cienega were not aware that a complete check register and separate general ledger or a cash receipts or disbursement journal should be maintained to account for transactions.

Recommendation

The Acequia should maintain a general ledger to record its assets, liabilities, revenues and expenditures and a cash receipts and disbursements journal to record the purpose and details for all cash received and disbursed by the Acequia. The Acequia should also maintain its check register accurately to properly reflect the cash balance after every transaction.

Management's Response

The Commissioners of the Acequia de la Cienega had never received any training in proper accounting procedures and was not aware that a separate general ledger should be kept. The Commissioners of Acequia de la Cienega agree with the above recommendation. We will institute procedures to ensure that general ledger and cash receipts and disbursements journal are maintained properly and accurately. Also, we will perform monthly bank reconciliation to accurate record its cash balance after every transaction.

**Acequia de la Cienega
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

Finding 2010-3 Unorganized Records

Condition

Some records (capital outlay project agreement, reimbursement, request, invoice) for the capital outlay awards were not readily available for inspection by the Independent Public Accountant that performed the agreed-upon procedures. Copies of these records had to be obtained from the Office of the State Engineer (OSE) for the completion of the agreed-upon procedures. In addition, the Acequia does not maintain a ledger to keep track of the amount appropriated, received, and expended for each capital outlay award and project.

Criteria

It is a prudent business practice to maintain copies of all agreements, contracts, reimbursement requests, invoices, ledgers and other supporting documentation in organized files in order to demonstrate compliance with laws, regulations and agreements. According to Article 2, Section 2a of the By-Laws of the Acequia, "the Secretary is responsible for keeping complete and accurate records".

Effect

Without the assistance of the Office of the State Engineer, the Acequia would not have been able to provide complete documentation for its capital outlay awards and project expenditures. Officers, other members of the Acequia, and governmental awarding agencies could question the financial transactions of the Acequia if certain documentation is incomplete or unorganized.

Cause

The Acequia did not have an adequate record management system and the commissioners of the Acequia were not aware that the records of its capital outlay awards, agreements and project expenditures should be maintained.

Recommendation

The Acequia should develop and implement a better records management system for its capital outlay awards, agreements and project expenditure records. Separate files should be maintained for each capital project agreement with a local, state or federal agency. The Acequia should also maintain a ledger for each award agreement to keep track of the amount appropriated, received, expended and the remaining balance.

Management's Response

The Agency has reviewed the above finding and the Commissioners of the Acequia de la Cienega agree with the above recommendation. We will develop and implement a records management system and will maintain capital outlay awards, agreements and project expenditure records along with a ledger for each award agreement to keep track of the amount appropriated, received, expended and the remaining balance.

**Acequia de la Cienega
Exit Conference
Fiscal Year Ended December 31, 2010**

On September 4, 2014, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report in a closed session.

Acequia de la Cienega

Brenda Dominguez, Chairperson
Maureen Mestas, Secretary
Richard Romero, Treasurer
Reynaldo Romero, Mayordomo

Office of the State Auditor

U. Chan Kim, CPA, Audit Manager