

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**La Acequia Nueva**

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Fiscal Year Ended December 31, 2017**

**La Acequia Nueva  
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Fiscal Year Ended December 31, 2017**

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**La Acequia Nueva  
Official Roster  
Fiscal Year Ending December 31, 2017**

**Board of Commissioners**

Orlando Romero, Chairman

Lynne Velasco, Secretary

Anne Martinez, Treasurer

**Administrative Staff**

None

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners  
La Acequia Nueva  
and  
Wayne Johnson, New Mexico State Auditor

I have performed the procedures enumerated below for the La Acequia Nueva (Acequia) for the year ended December 31, 2017, 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, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. 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. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

Based on a review of the Acequia's general ledger, total revenues for the fiscal year ending December 31, 2017 were \$3,891 (excluding capital outlay grant revenue). Based on this information, the Acequia was properly determined to be a Tier 3 entity for FY17 since their total revenues were less than \$50,000 and they expended the remaining balance of a capital outlay grant during 2017.

2. Perform the following tests on 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.

The cash disbursement for the project work was tested. The amount disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the contractor's invoice, contract and canceled check. The Acequia does not use purchase order forms.

- 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 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

The Acequia obtained quotes and awarded a contract for the project work in accordance with the State Procurement Code.

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

The completed project work was observed on July 27, 2018. Nothing unusual was noted.

- 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.

The Acequia did not submit the required status reports to the NMISC. See Finding 2017-001 on p. 5.

3. 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 project was not funded in advance. The Acequia was required to submit request for reimbursement forms to the NMISC along with the contractor's invoice and other supporting documentation.

4. 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 project work was completed. The unexpended balance of the capital outlay grant was \$130.54 which reverted to the State of New Mexico on June 30, 2017. See the Schedule of Capital Outlay Awards on p. 7 of this report.

5. 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 Acequia used its bank account at the Del Norte Credit Union to account for the cash receipts and disbursements for this project.

6. 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.

On March 30, 2017, the Acequia submitted one Request for Reimbursement Form for \$10,560.90 to the NMISC. The NMISC paid \$10,560.90 to the Acequia on May 8, 2017. The amount requested in the Request for Reimbursement Form agreed with the contractor's invoice and was supported by costs incurred by the Acequia.

The invoice was not paid by the Acequia prior to the request for reimbursement because the Acequia did not have the necessary funds. The Acequia paid for the invoice after the grant funds were received from the NMISC.

7. The agreed-upon procedures 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 for which there were expenditures during the fiscal year.

See the Schedule of Capital Outlay Awards on p. 7.

8. 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 (L) NMAC.

This agreed-upon procedures report was not submitted to the NM Office of the State Auditor by the required due date of June 1, 2018. See Finding 2015-001 on p. 4.

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 subject matter. 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 management and others with the Acequia, the New Mexico State Auditor, Department of Finance and Administration – Local Government Division, New Mexico Interstate Stream Commission and the State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Auditing Services*  
Accounting & Auditing Services, LLC  
Santa Fe, New Mexico  
August 2, 2018

**La Acequia Nueva  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2017**

**Status of Prior Year Findings**

Finding 2015-001. Late Submission of Firm Recommendation Form and Contract to the Office of the State Auditor – Revised and Repeated.

**Current Year Findings**

**Finding 2015-001. Late Agreed-Upon Procedures Contract and Report**

**Condition**

For the fiscal year ending December 31, 2017, the Acequia did not submit the agreed-upon procedures contract and report to the NM Office of the State Auditor by the required due dates. The Acequia did not make any progress to implement its corrective action plan to resolve this prior year finding.

**Criteria**

According to the State Audit Rule, Section 2.2.2.16.B (3) NMAC, “if a local public body’s annual revenue is less than \$50,000 and the local public body expended at least 50%, or the remainder of, a single capital outlay award, then the local public body shall procure the services of an IPA for the performance of a Tier 3 agreed-upon procedures engagement in accordance with the audit contract for a Tier 3 agreed-upon procedures engagement.”

According to State Audit Rule 2017, Section 2.2.2.8.F (8)(f) NMAC, the Acequia should have submitted the unsigned contract generated by OSA-Connect to the NM Office of the State Auditor by December 1, 2017.

According to State Audit Rule 2017, Section 2.2.2.9.A(1)(j) NMAC, this agreed-upon procedures report should have been submitted to the NM Office of the State Auditor by June 1, 2018.

**Effect**

Since the agreed-upon procedures report for FY17 is late, the users of the agreed-upon procedures report did not receive timely information about the results of the capital outlay award for FY17.

**Cause**

A new Treasurer was appointed to the Board of Commissioners in January 2018. The new Treasurer was unaware of the State Auditor’s requirements for agreed-upon procedures.

**La Acequia Nueva  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2017**

Recommendation

The Board of Commissioners should read the State Audit Rule 2018 (2.2.2 NMAC) to understand the specific reporting requirements for local public bodies and due dates for agreed-upon procedures. For future fiscal years, the Acequia shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC to determine what agreed-upon procedures or audits are required for the fiscal year. If agreed-upon procedures are required for a future fiscal year, the Acequia should submit the contract information to the NM Office of the State Auditor by December 1<sup>st</sup> as required by Section 2.2.2.8.F(8)(f) NMAC and ensure that the report is submitted to the NM Office of the State Auditor by the following June 1st.

Management's Response

Effective August 3, 2018, the Treasurer shall be responsible for reading cited rules and will be responsible for establishing whether, or not, an agreed-upon procedure contract is necessary and, if it is, filing the contract information and the report with the NM Office of the State Auditor by their due dates. The Treasurer has read the State Audit Rule 2018 and is aware of the required procedures and will be responsible for adhering to them.

**Finding 2017-001. Non-Submission of Monthly Project Status Reports**

Condition

The Acequia did not submit the monthly and final project status reports to the NM Interstate Stream Commission (NMISC).

Criteria

Article VIII.A-B (Reports) of the grant agreement between the Acequia and the NMISC states that the Acequia shall submit monthly paper periodic reports and a final report to the NMISC.

Effect

The NMISC did not receive the required status reports from the Acequia to adequately monitor the project activity.

Cause

The new Treasurer of the Acequia stated that she was unaware of the requirement to submit the status reports to the NMISC.



**La Acequia Nueva**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending December 31, 2017**

Recommendation

For future capital outlay grant agreements, the Acequia's Board of Commissioners should thoroughly read the grant agreement to understand the reporting requirements. The Board of Commissioners should ensure that all required project status reports are submitted to the granting agency by the required due date in accordance with the terms of the grant agreement.

Management's Response

The Commissioners will read and understand all future grant agreements or capital outlay agreements. If they do not understand, they will ask for clarification. For all future grants, the Commissioners (Chairman, Secretary and Treasurer) shall all be made aware of due dates in writing and by electronic communications at the onset of the grant. The Secretary will be responsible for filing administrative reports by their due date, and the Treasurer will be responsible for filing financial reports by their due dates.

**La Acequia Nueva**  
**Schedule of Capital Outlay Awards**  
**For the Fiscal Year Ending December 31, 2017**

	<b>1</b>
Amount Awarded	\$ 94,000.00
Received and Expended in 2015	(83,308.56)
Received and Expended in 2017	(10,560.90)
Remaining Balance	\$ 130.54

**Agreement Provisions**

**1 - Grant Agreement Between the NM Interstate Stream Commission and the Acequia La Nueva  
(Fund 13-1600 Capital Appropriation Project)**

Legislative Authority: New Mexico Laws of 2013, Chapter 226, Section 29, Paragraph 33

Date of Agreement: May 2, 2014

Project Description: To plan, design, and construct improvements, including culverts and lining,  
to the Acequia La Nueva, del Llano and Comunidad in the Pueblo of Nambe in Santa Fe County.

Estimated Project Cost: \$94,000

State Grant Amount: \$94,000

Agreement termination/reversion date: June 30, 2017

**La Acequia Nueva  
Exit Conference  
Fiscal Year Ending December 31, 2017**

On July 27, 2018, the following officials held an exit conference and discussed discuss the results of the agreed upon procedures and the contents of this report:

La Acequia Nueva

Orlando Romero, Chairman

Accounting & Auditing Services, LLC

Steve Archibeque, CPA, Audit Manager