

**State of New Mexico**  
**Acequia del Monte del Rio Chiquito**  
**2017 Tier 3 Agreed Upon Procedures Report**  
**December 31, 2017**

**Acequia del Monte del Rio Chiquito**

**2017 Tier 3 Agreed Upon Procedures Report**

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**Official Roster**

As of December 31, 2017

Commission Chair – John MacArthur

Treasurer – Art Coca

Secretary – Ted Medina

Mayordomo – Walter Whipple

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

Wayne Johnson  
New Mexico State Auditor  
and  
John MacArthur, Commission Chair  
Acequia del Monte del Rio Chiquito  
Talpa, NM

We have performed the procedures enumerated below which were agreed to by the New Mexico Office of the State Auditor and Acequia del Monte del Rio Chiquito (Acequia) on the accompanying Statement of Capital Outlay Awards for the year ended December 31, 2017. The Acequia's management is responsible for the Statement of Capital Outlay Awards for the year ended December 31, 2017. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose. The 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."

*The Accountant verified the Acequia's calculation and determination as a Tier 3 agreed upon procedures engagement.*

2. 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.*

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

*All of the disbursements were properly authorized and approved and 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 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 completed projects were observed on August 17, 2018.*

- 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 agreement the Acequia has with the New Mexico Interstate Stream Commission (NMISC) required the Acequia to submit monthly reports on a prescribed form that was attached as an exhibit to the agreement. The agreement also allows for on-line reporting and was due the last day of each month and was required to be submitted each month until the project was terminated, and the final report submitted. The Acequia indicates it filed the reports online however it failed to print a copy of the monthly and final reports. We were unable to determine if the reports were filed timely since the NMISC website does not retain record of reports submitted once the project is finalized. See Finding 2016-001.*

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

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 Acequia expended the total appropriation. There was no reversion amount.*

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 capital project agreement did not require the funds to be held in a separate bank account.*

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.

*The Acequia filed Request for Reimbursement Forms with the NMISC 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*

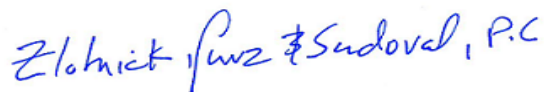
*the necessary funds. The Acequia paid for its project expenditures soon after the checks were received from the NMISC. A finding is not considered necessary since the Acequia complied with the NMISC's reimbursement procedures requirements.*

7. 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 (1)(3)(C) NMAC.

*See the Schedule of Findings and Responses listed in the table of contents. The Acequia did not complete and submit this 2017 AUP report by the required deadline. See finding 2017-001.*

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 Statement of Capital Outlay Awards. 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 Acequia del Monte del Rio Chiquito, the New Mexico 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 those specified parties.



Zlotnick, Laws & Sandoval, PC

August 17, 2018

## Statement of Capital Outlay Awards

**Project:** Grant to construct Reservoir Outlets-Phase II at Talpa irrigation reservoir in Taos County.

Amount Awarded for Project (Note 1)	\$ 141,000
Amount Received/Requested	141,000
Amount Expended as of 12/31/17	<u>141,000</u>
Remaining Balance	<u>\$ -0-</u>

**Note 1:** The capital project funds were appropriated as follows:

\$141,000 pursuant to New Mexico Laws of 2014, Chapter 66, Section 37, paragraph 2. The agreement with the Interstate Stream Commission was dated December 6, 2016. The agreement terminates on June 30, 2018 or sooner if the project is completed prior to that time.

The project was completed on April 13, 2017.

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

## Schedule of Findings and Responses

### Prior Year Findings:

**2016-001:** Non-compliance per terms of the agreement with grantor-Noncompliance (**Revised & Repeated**)

### Current year Findings:

**2016-001 NON-COMPLIANCE PER TERMS OF THE AGREEMENT WITH GRANTOR – Noncompliance (Revised & Repeated)**

**Condition:**

The Acequia failed to maintain copies of monthly reports to the New Mexico Interstate Stream Commission (NMISC). We were unable to determine if the reports were submitted and if they were submitted timely since the NMISC website does not retain a history of reports submitted once the project is finalized.

**Criteria:**

The agreement with the NMISC requires monthly project reports and a final report once the project is complete.

**Effect:** Noncompliance with the agreement.

**Cause:**

The Acequia management indicate the reports were filed online with NMISC but failed to maintain copies of the reports filed.

**Recommendation:**

The management of the Acequia must retain copies of reports submitted to show compliance with the funding agreement.

**Management Response:**

The final report on that year's project had been closed out by the time that IPA apprised us of the requirement to file monthly reports. We agreed to file timely reports. We have a new project, funded 6-28-18, and have filed the first report on 8-1-2018. We don't expect any activity on this funding until late this year or early 2019, depending on engineering (funded locally), but will continue making and copying monthly reports. The Chairman, John MacArthur and Treasurer, Art Coca will ensure reports are filed as required and a copy of the report is retained in our files.



## Schedule of Findings and Responses (continued)

### **2017-001 LATE REPORT - Noncompliance**

**Condition:**

The 2017 Tier 3 Agreed Upon Procedures Report was submitted after the due date.

**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:**

Unknown.

**Recommendation:**

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

**Management Response:**

It has been difficult to get quotes on our AUP audits during tax season, and we need several. There was confusion as to the date of the audit this year, as well, and getting the OSA to revise our contract took some time. We'll be more diligent next time we are required to obtain an AUP audit. Chairman, John MacArthur and Treasurer, Art Coca will ensure the Acequia retains an IPA to conduct the AUP in a timely manner.

## Exit Conference

On August 17, 2018 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 meeting:

### **Acequia del Monte del Rio Chiquito**

John MacArthur, Commission Chair

Art Coca, Treasurer

### **Zlotnick, Laws & Sandoval, PC**

Richard D. Sandoval, CPA