



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

Acequia de la Otra Banda

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Year Ended December 31, 2011

**Acequia de la Otra Banda
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Fiscal Year Ended December 31, 2011**

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Acequia de la Otra Banda
Official Roster
Fiscal Year Ending December 31, 2011

Board of Commissioners

Julian Martinez, President

Kirk Veirs, Secretary

Elaine Best, Treasurer

Mayordomos

Delbert Roybal

Administrative Staff

None



Hector H. Balderas
State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

Carla C. Martinez
Deputy State Auditor

Independent Accountant's Report on Applying Agreed-Upon Procedures

Elaine Best, President
and Members of the Board of Commissioners
Acequia de la Otra Banda
106 County Road 84D
Santa Fe, New Mexico 87506

We have performed the procedures enumerated below for the Acequia de la Otra Banda (Acequia) for the year ended December 31, 2011, 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.

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

The Acequia is not required to submit a budget to the Department of Finance and Administration – Local Government Division. However, a project budget is required to be submitted by the terms of the agreements with the NM Office of the State Engineer Interstate Stream Commission (OSE/ISC) to the OSE/ISC. 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 dam and 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 Acequia de la Otra Banda on October 15, 2013.

- 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 amounts on the reimbursement forms agreed with the general ledger and other supporting documentation. Status reports were not required by the terms of the agreements with the 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.

As shown in Exhibit 1 on page 6, the Acequia expended a total of \$41,765.90 in the fiscal year ended December 31, 2011, and \$33,234.10 in the previous year. For each appropriation, the cash amounts received equaled the amount of expenditures. Therefore, the Acequia had no unexpended cash balance to revert.

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 checking account at Wells Fargo Bank. 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 (D)(3)(C) NMAC.

See Finding 2012-1 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 NM Office of the 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
October 15, 2013

Acequia de la Otra Banda
Exhibit 1 – Schedule of Capital Outlay Awards to Acequia
December 31, 2011

Note 1

Amount Awarded for Project	\$75,000.00
Amount Received by Acequia	75,000.00
Amount Expended in Prior Years	(33,234.10)
Amount Expended by Acequia	<u>(41,765.90)</u>
Remaining Balance	<u>\$ -0-</u>

Agreement Provisions

Note 1: Acequia Capital Appropriation Project Agreement between the NM Interstate Stream Commission (NMISC) and the Acequia de la Otra Banda

Legislative Authority: NM Laws of 2007, Chapter 42, Section 67, Item 64 (GF)

Date of Agreement with NMISC: January 20, 2008

Project Description: To plan, design, and construct improvements, including the infiltration system and replacement of concrete linings, for the Acequia de la Otra Banda in Jaconita and El Rancho in Santa Fe County.

Estimated Project Cost: \$75,000

Agreement termination/reversion date: July 1, 2011

**Acequia de la Otra Banda
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2011**

Status of Prior Year Findings

Not applicable.

Current Year Findings

2011-01 – Late Agreed-upon Procedures Report

Condition:

This agreed-upon procedures report for FY 2011 was not submitted to the NM Office of the State Auditor (OSA) by the due date of May 31, 2012.

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 2.2.2.16B(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 by May 31.

Management’s response:

The Commissioners of Acequia de la Otra Banda agree with the above recommendation and will see that future AUP’s are completed on time.

**Acequia de la Otra Banda
Exit Conference
Fiscal Year Ended December 31, 2011**

On October 15, 2013, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Acequia de la Otra Banda

Elaine Best, President

Office of the State Auditor

U. Chan Kim, CPA, Audit Manager