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Acequia de los Herreras

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2018

Acequia de los Herreras
Table of Contents
Fiscal Year Ended December 31, 2018

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountant's Report	1
Schedule of Capital Outlay Awards	5
Schedule of Findings and Responses	6
Exit Conference	8

**Acequia de los Herreras
Official Roster
Fiscal Year Ending December 31, 2018**

Board of Commissioners

John Ricci, President

Kenneth Borrego, Secretary

Willie Atencio, Treasurer

Staff

Tim Pacheco, Mayordomo

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Acequia de los Herreras
Española, New Mexico
and
Brian S. Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below for the Acequia de los Herreras (Acequia) for the year ended December 31, 2018, 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 under "Tiered System Reporting Main Page."

According to the Acequia's general ledger, total revenues for the fiscal year ending December 31, 2018 were \$5,772 (excluding capital outlay grant revenues of \$53,100 from the New Mexico Interstate Stream Commission). Based on this information, the Acequia was properly determined to be a Tier 3 entity for 2018 since their total revenues were less than \$50,000 and they expended the remaining balance of a state capital outlay grant during 2018.

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 capital outlay expenditures for the project work were tested. The amount recorded as disbursed (payee, date and description of purchase) agreed with the invoices, canceled checks and supporting documentation.

- 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 issued an invitation for bids and selected the lowest qualified bidder 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 physically observed on January 23, 2020. The work completed agreed with the invoices and supporting documentation.

- 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 for the project were not required by the 90/10 cost share grant agreement.

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 a Request for Reimbursement form to the New Mexico Interstate Stream Commission (NMISC) along with invoices 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 Acequia used its checking account at the New Mexico Bank & Trust to account for the cash receipts and disbursements for the project. A separate bank account was not required by the 90/10 cost share grant agreement.

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 submitted one Request for Reimbursement Form dated June 18, 2018 to the NMISC for \$53,100. 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 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. 5.

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.

For the 2018 Tier 3 agreed-upon procedures, the Acequia did not submit the contract information and the agreed-upon procedures report to the New Mexico Office of the State Auditor by the required due dates. See Finding 2018-001 on p. 6.

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

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

January 27, 2020

**Acequia de los Herreras
Schedule of Capital Outlay Awards
For the Fiscal Year Ending December 31, 2018**

	1
Amount Awarded	\$ 53,100.00
Received and Expended in 2018	(53,100.00)
Unexpended Balance	\$ -

Agreement Provisions

1 - 90/10 Acequia Rehabilitation Cost Share Grant Agreement Between the New Mexico Interstate Stream Commission and the Acequia de los Herreras located in Santa Fe County

Legislative Authority: New Mexico Laws of 2017, Chapter 135, p. 78, Lines 21-25 and p. 79, Lines 1-9

Date of Agreement: March 15, 2018

Project Description: Construction of an irrigation pipeline and related improvements.

Estimated Project Cost: \$59,000

State Grant Amount: \$53,100

Agreement termination/reversion date: June 30, 2018

**Acequia de los Herreras
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018**

Status of Prior Year Findings

None noted.

Current Year Findings

Finding 2018-001. Late Agreed-Upon Procedures Contract and Report

Condition

For the fiscal year ending December 31, 2018, the Acequia did not submit the Tier 3 agreed-upon procedures contract information and this report to the NM Office of the State Auditor by the required due dates.

Criteria

According to State Audit Rule 2018, 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 2018, Section 2.2.2.8.F(8)(e) NMAC, the Acequia should have hired a CPA firm and submitted the unsigned Tier 3 contract to the New Mexico Office of the State Auditor by December 1, 2018.

According to State Audit Rule 2018, Section 2.2.2.9.A(1)(j) NMAC, this agreed-upon procedures report should have been submitted to the New Mexico Office of the State Auditor by June 1, 2019.

Effect

Since the agreed-upon procedures report for 2018 is late, the users of the agreed-upon procedures report did not receive timely information about the results of the agreed-upon procedures and the status of the capital outlay grant from the New Mexico Interstate Stream Commission.

Cause

According to the Board President, the Acequia was not aware of the reporting requirements and due dates in the State Audit Rule and did not have the money to hire a CPA firm to perform the agreed-upon procedures by the required due date.

Acequia de los Herreras
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018

Recommendation

For 2019 and 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 if agreed-upon procedures are required; if so, the Acequia should submit the contract information to the NM Office of the State Auditor by January 31st as required by State Audit Rule 2019, Section 2.2.2.8.F(8)(f) NMAC, and ensure that the agreed-upon procedures report is submitted to the NM Office of the State Auditor by the required due date. If the Acequia does not have the funds to pay for the agreed-upon procedures, management of the Acequia should apply for financial assistance from the NM Office of the State Auditor or obtain the necessary funds by other means.

Management's Response

With new members to the Board, we have implemented new procedures effective January 1, 2020 that should prevent future delays for the agreed-upon procedures contract and report. This responsibility has been assigned to our Treasurer who will determine at the end of each year the total amount and type of revenues and expenditures and which Tier the Acequia falls under for each fiscal year. If necessary, we will hire a CPA firm to perform the required agreed-upon procedures should we receive any capital outlay funds, and will submit the required agreed-upon procedures contract and report to the New Mexico Office of the State Auditor by their due dates. As a Board, we now have a better understanding of the reporting requirements and will follow the rules set forth by the New Mexico Office of the State Auditor.

**Acequia de los Herreras
Exit Conference
Fiscal Year Ending December 31, 2018**

On January 27, 2020, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Acequia de los Herreras

John Ricci, Chairman, Board of Commissioners

Accounting & Auditing Services, LLC

Steve Archibeque, CPA, Audit Manager