



OFFICE OF THE STATE AUDITOR
Hector H. Balderas

Acequia de la Plaza de Dixon

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Year Ended December 31, 2010

Acequia de la Plaza de Dixon

Official Roster

Fiscal Year Ending December 31, 2010

Board of Commissioners

David G. Valdez, President

Leroy Leonard, Vice-President

Yolanda Romero Jaramillo, Secretary/Treasurer

Mayordomos

Antonio Sanchez

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

David G. Valdez, President
and Members of the Board of Commissioners
Acequia de la Plaza de Dixon
P.O. Box 574
Dixon, New Mexico 87527

We have performed the procedures enumerated below for the Acequia de la Plaza de Dixon (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 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. 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 cash disbursements tested were properly authorized and approved in accordance with legal requirements and the Acequia's procurement policies and procedures. However, a project budget and quarterly financial reports are required to be submitted to Department of Finance and Administration (DFA) – Local Government Division (LGD), which were not submitted by the Acequia as required. This is the exception of noncompliance as described in Finding 2010-02 on page 8 of this report.

- 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 Rio Embudo diversion reconstruction site and Acequia de la Plaza de Dixon on March 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.

The amounts on the reimbursement forms agree with the general ledger and other supporting documentation. Status reports were not required by the terms of the agreements with the Office of the State Engineer/Interstate Stream Commission (OSE/ISC). The Acequia submitted the project 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 received a total of \$10,076.19 and expended a total of \$10,076.19 in the fiscal year ended December 31, 2010, and expended \$-0- in the previous year. 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 checking account at Valley National 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 Acequia received the OSE/ISC checks.

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 Findings 2010-01, and 2010-02 on pages 7-8 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 page 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

March 26, 2014

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

	Note 1
Amount Awarded for Project	\$80,000.00
Amount Spent by other Acequias	69,924.00
Amount Received by Acequia	10,076.19
Amount Expended in Prior Years	(-0-)
Amount Expended by Acequia	<u>(10,076.19)</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 Plaza de Dixon

Legislative Authority: NM Laws of 2007, Chapter 42, Section 67, Item 41 (GF)

Date of Agreement with NMISC: April 28, 2008

Project Description: To plan, design, and construct improvements, for Acequia Junta y Cienega, Acequia Sancochada, Acequia del Llano, Acequia de la Plaza de Dixon and Acequia de la Apodaca in Rio Arriba County.

Estimated Project Cost: \$10,076.19*

Agreement termination date: July 1, 2010

* The remaining \$69,924 was spent directly by the Acequias listed in the project description above.

Acequia de la Plaza de Dixon
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010

Status of Prior Year Findings

Not Applicable

Current Year Findings

2010-01 Failure to File 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) by the due date of May 31, 2011.

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:

The Acequia was unaware that by accepting and spending capital outlay money the Acequia would be obligated 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 you have any questions about the State Audit Rule, call the OSA at (505) 476-3800. 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 Plaza de Dixon agree with the above recommendation and the agreed-upon procedures report will be submitted in a timely manner.

Acequia de la Plaza de Dixon
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010

2010-02 The Acequia did not submit Budget and Quarterly Reports to Local Government Division

Condition:

OSA noted the Acequia did not submit a proposed budget to the Local Government Division for fiscal year 2010. Also quarterly financial reports were not submitted to the Local Government Division throughout the fiscal year ended December 31, 2010 as required.

Criteria:

Section 6-6-2A NMSA 1978 requires a proposed budget for the next fiscal year to be submitted by the local public body to the Local Government Division by December 1 of each year.

Section 6-6-2F NMSA 1978 requires the Association to submit periodic financial reports to the Local Government Division at least quarterly.

Effect:

The Acequia did not comply with state statutes referenced in the criteria section above. The Acequia's ability to prevent and detect misstatements in the accounting records, fraud, waste and abuse is diminished in the absence of periodic comparisons between actual revenues and expenditures and budgeted revenues and expenditures.

Cause:

The Acequia was unaware of these requirements.

Recommendation:

The Acequia should continue to work with Department of Finance and Administration (DFA) Local Government Division (LGD) to ensure all compliance requirements are identified.

Management's Response:

The Acequia de la Plaza de Dixon was not aware of the requirement to submit a project budget to Local Government Division of Department of Finance and Administration. The Commissioners of Acequia de la Plaza de Dixon agree with the above recommendation and will work with DFA-LGD to ensure all compliance requirements are met.

Acequia de la Plaza de Dixon
Exit Conference
Fiscal Year Ending December 31, 2010

On March 26, 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:

Acequia de la Plaza de Dixon

David G. Valdez, President

Office of the State Auditor

U. Chan Kim, CPA, Audit Manager