

# **Accounting & Auditing Services, LLC**

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

**East Sandoval Acequia**

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

**For the Fiscal Year Ended December 31, 2016**

**East Sandoval Acequia  
Table of Contents  
Fiscal Year Ended December 31, 2016**

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountant's Report	1
Schedule of Findings and Responses	5
Schedule of Capital Outlay Awards	8
Exit Conference	9

**East Sandoval Acequia  
Official Roster  
Fiscal Year Ending December 31, 2016**

**Board of Commissioners**

Gilbert M. Sandoval, Chairman

Christopher Tolleson, Secretary

Michael Revak, Treasurer

**Staff**

Gilbert Sandoval, Mayordomo

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

Board of Commissioners

Acequia de La Isla and Acequia de La San Jose

and

Brian S. Colon, Esq., New Mexico State Auditor

I have performed the procedures enumerated below for the Acequia de La Isla (Acequia) for the year ending 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](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, 2018 were \$8,000 (excluding capital outlay grants). Based on this information, the Association 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 two capital outlay appropriations from the New Mexico Office of the State Engineer (NMOSE) 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.

All of the cash disbursements for the capital award project 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. 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 project work did not require an invitation for bids. The Acequia obtained the necessary quotes 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 May 25, 2019. The work completed agreed with the invoices.

- 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 provide evidence showing that the required status reports were submitted to the state agencies. See Finding 2016-001 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 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 project work was not completed and two capital outlay appropriations had a total unexpended balance of \$32,513 as of December 31, 2016. See the Schedule of Capital Outlay Awards on p. 8.

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 opened a separate bank account at the Jemez Valley Credit Union to account for the cash receipts and disbursements for the 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.

In 2016, the Acequia submitted three Request for Reimbursement Forms to the NMISC totaling \$14,596.97 under grant agreement #14-1807, and one Request for Reimbursement Form for \$12,050 under grant agreement #15-0647. The NMISC approved the requests and paid a total amount of \$26,646.97 to the Acequia in 2016. The amount requested in the Request for Reimbursement Forms agreed with the invoices and was supported by costs incurred by the Acequia.

The invoices were not paid by the Acequia prior to the requests for reimbursement because the Acequia did not have the necessary funds. The Acequia paid the invoices 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. 8.

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.

The Acequia did not submit the contract information to the State Auditor and hire a CPA firm to perform these agreed-upon procedures by the required due dates. See Finding 2016-002 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

May 25, 2019

**East Sandoval Acequia  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2016**

**Status of Prior Year Findings**

Not applicable.

**Current Year Findings**

**Finding 2016-001. Non-Submission of Monthly Project Status Reports**

**Condition**

The Association did not submit monthly project status reports to the New Mexico Interstate Stream Commission (NMISC) and the New Mexico Department of Finance and Administration (DFA).

**Criteria**

Article VIII.A (Paper Periodic Reports) of the capital outlay agreement between the Association and NMISC states: "The Acequia shall submit to the NMISC Paper Periodic Reports for the Project. The Paper Periodic Report shall be due monthly on the last day of each month, beginning with the first full month following execution of this Agreement by the NMISC and ending upon the submission of a Paper Final Report for the Project."

Article VIII.B (Paper Final Report) states: "The Paper Final Report must be submitted within twenty days after the Project's Reversion Date" of June 30, 2018.

Article VIII.C (Paperless Reports) states: "The Acequia shall report periodic and final Project activity by entering such Project information as the NMISC and DFA may require directly into a database maintained by NMISC and DFA. The Paperless Report shall be due monthly on the last day of each month, beginning with the first full month following execution of this Agreement by the NMISC and ending upon the submission of a Final Report for the Project."

**Effect**

The NMISC and DFA did not receive the monthly status reports to monitor the project activity and accurately report the status of the capital outlay appropriation.

**Cause**

The Board Chairman stated that he submitted the paperless reports to DFA but did not print them. The Board Chairman stated that he unintentionally overlooked the requirement to submit the monthly paper reports to the NMISC.



**East Sandoval Acequia  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2016**

**Recommendation**

The Acequia's Board of Commissioners should thoroughly read Article III of the capital appropriation project agreement to understand all of the reporting requirements. The Board of Commissioners should implement a procedure to ensure the monthly and final status reports (paper and paperless) are submitted to the NMISC and DFA by the required due dates. Management of the Acequia should print and maintain copies of all the monthly reports that are submitted.

**Management's Response**

We were made aware of the reporting requirement by e-mail dated November 30, 2017 from Mr. Jimmy Trujillo, Office of the State Engineer. We began reporting monthly expenditures; however, we did not make hand copies to retain for our records.

By the end of May 2019, the Treasurer of the Acequia will set up an annual reporting schedule in a calendar. A separate paper file will be maintained for monthly reports until the award is fully expended and the final reports submitted. Online reporting for DFA will be documented with printouts showing the date of completion.

**Finding 2016-002. Late Agreed-Upon Procedures Contract and Report**

**Condition**

For the fiscal year ending December 31, 2016, the Acequia did not submit the Tier 3 agreed-upon procedures contract and this report to the NM Office of the State Auditor by the required due dates.

**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 2016, the Acequia should have hired a CPA firm and submitted the Tier 3 contract information for 2016 to the NM Office of the State Auditor by December 1, 2016.

According to State Audit Rule 2016, this agreed-upon procedures report should have been submitted to the NM Office of the State Auditor by June 1, 2017.

**East Sandoval Acequia  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2016**

Effect

Since the agreed-upon procedures report for 2016 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 appropriations.

Cause

According to the Board Chairman, the Acequia did not have the money to hire a CPA firm to perform the agreed-upon procedures by the required due date.

Recommendation

For 2018, the Board Chairman should submit the Tier 3 contract information to the NM Office of the State Auditor as soon as possible.

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 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 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 following June 1st.

Management's Response

Based on the results of the agreed-upon procedures for 2016, the Acequia does not need Tier 3 agreed-upon procedures for 2017, but will be in Tier 3 for 2018. In May 2019, the Board Chairman applied for a financial assistance grant from the New Mexico Office of the State Auditor to help pay the fees for the Tier 3 agreed-upon procedures for 2018 and will submit the contract information to the Office of the State Auditor as soon as the grant is approved. For future years and contracts, the Board Chairman will work with a CPA firm to submit the contract information and the agreed-upon procedures report to the Office of the State Auditor by the required due dates.

**East Sandoval Acequia  
Schedule of Capital Outlay Awards  
For the Fiscal Year Ending December 31, 2016**

	1	2	Total
Amount Awarded	\$ 20,000.00	\$ 40,000.00	\$ 60,000.00
Received and Expended in 2015	(840.00)	-	(840.00)
Received and Expended in 2016	(14,596.97)	(12,050.00)	(26,646.97)
Unexpended Balance	\$ 4,563.03	\$ 27,950.00	\$ 32,513.03

**Agreement Provisions**

**1 - Agreement Between the NM Interstate Stream Commission and East Sandoval Acequia, fiscal agent located in Sandoval County - Fund 14-1807 Capital Appropriation Project**

Legislative Authority: New Mexico Laws of 2014, Chapter 66, Section 21, Paragraph 16

Date of Agreement: May 13, 2015

Project Description: For improvements to acequias for the Jemez River basin coalition of acequias from Jemez Springs to San Ysidro in Sandoval County.

Estimated Project Cost: \$20,000

State Grant Amount: \$20,000

Agreement termination/reversion date: June 30, 2018

**2 - Agreement Between the NM Interstate Stream Commission and East Sandoval Acequia, fiscal agent located in Sandoval County - Fund 15-0647 Capital Appropriation Project**

Legislative Authority: New Mexico Laws of 2015, Chapter 3, Section 27, Paragraph 19

Date of Agreement: April 15, 2016

Project Description: For improvements, including silt and debris removal, to the acequias in the Jemez river basin from Jemez Springs to San Ysidro in Sandoval County.

Estimated Project Cost: \$40,000

State Grant Amount: \$40,000

Agreement termination/reversion date: June 30, 2019

**East Sandoval Acequia  
Exit Conference  
Fiscal Year Ending December 31, 2016**

On May 25, 2019, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

East Sandoval Acequia

Gilbert Sandoval, Chairman, Board of Commissioners

Accounting & Auditing Services, LLC

Steve Archibeque, CPA, Audit Manager