

OFFICE OF THE STATE AUDITOR

Timothy M Keller



Rio De Chama Acequia Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2014

**Rio De Chama Acequia Association
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Fiscal Year Ended December 31, 2014**

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**Rio De Chama Acequia Association
Official Roster
Fiscal Year Ending December 31, 2014**

Board of Commissioners

Fred Vigil, President

Anna Roybal, Secretary

Joseph Roybal, Treasurer

Mayordomos

Cesar Coronado

Administrative Staff

None



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fred Vigil, President
and Members of the Board of Commissioners
Rio De Chama Acequia Association
P.O. Box 687
Medanales, New Mexico 87548

We have performed the procedures enumerated below for the Rio De Chama Acequia Association (Acequia) for the year ended December 31, 2014, 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:

- 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 with the exception on noncompliance with capital outlay agreement discussed in Finding 2014-001 on page 7.

- 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 workplan study done on the ditch improvement and repair projects, the Acequia obtained the necessary quotes 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 study area of workplan was physically observed during a tour of the Abiquiu Reservoir and Rio De Chama Acequia Association on May 11, 2015.

- 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 submitted in accordance with the terms of the agreement 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 \$10,000 in the fiscal year ended December 31, 2014. 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 capital outlay award agreement did not require a separate non-interest bearing bank account to deposit the amounts received. However, the check received from the OSE/ISC was deposited into a bank account with Washington Federal separate from the Acequia's operating account at Valley National Bank.

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 a Request for Reimbursement Form with the OSE/ISC based on an unpaid invoice submitted to the Acequia by the vendor 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 check was 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 (I)(3)(C) NMAC.

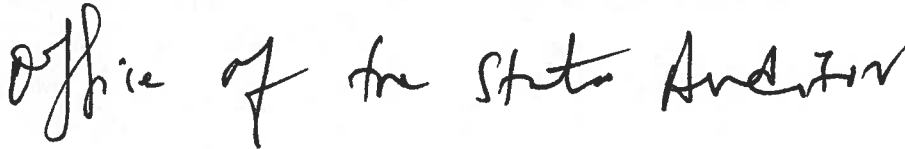
No information came to the IPA's attention indicating fraud, illegal acts, noncompliance, or any internal control deficiencies.

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 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
May 11, 2015

**Rio De Chama Acequia Association
Exhibit 1 – Schedule of Capital Outlay Awards to Acequia
December 31, 2014**

	<u>Total</u>
Amount Awarded for Project	\$10,000
Amount Received by Acequia	10,000
Amount Expended by Acequia	<u>(10,000)</u>
Remaining Balance	<u>\$ -0-</u>

Agreement Provisions

Capital Project Agreement between the New Mexico Office of the State Engineer (OSE), the Interstate Stream Commission (ISC), and Rio De Chama Acequia Association

Legislative Authority: 2010 NM Laws, Chapter 105, Section 18 A, Paragraph 10 (e).

Date of Agreement with NMISC: May 23, 2013

Project Description: To plan, design, and construct a water banking and conservation program for the acequias in the lower Rio Chama Valley, including planning, designing and mapping for the Rio Chama Acequia Association in Rio Arriba County.

Estimated Project Cost: \$10,000

Agreement termination/reversion date: June 30, 2014

**Rio De Chama Acequia Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2014**

Status of Prior Year Findings

Not applicable.

Current Year Findings

2014-001– Noncompliance with Capital Outlay Agreement

Condition:

The capital outlay agreement stipulated a required termination clause and a non-appropriations clause in contracts funded in whole or part by funds made available under the agreement. The project was funded entirely through funds made available under the capital outlay agreement. The termination clause was not included in the contract with the Acequia's vendor.

Criteria:

The Capital Outlay Agreement for Fund 10-1121 Acequia Capital Appropriation Project, Articles XVI & XVII specified the "Grantee [Acequia] acknowledges and agrees that Grantee shall include a termination clause and a "non-appropriations" clause in all contracts that are (i) funded in whole or in part by funds made available under this Agreement and (ii) entered into after the effective date of this agreement."

Effect:

In the event of early termination of the agreement and/or non-appropriation, the Acequia and the State of New Mexico would not be protected from an impairment of contract claims.

Cause:

The Acequia was not aware of the language required by the Capital Outlay Agreement with Office of the State Engineer/Interstate Stream Commission.

Recommendation:

Management should ensure that all contracts funded in whole or in part by funds made available through the capital outlay agreements have the early termination clause and "non-appropriation" clause in accordance with the capital outlay agreement.

Management's Response:

The commissioners agree to include the required clauses in the new contracts entered into by the Acequia.

**Rio De Chama Acequia Association
Exit Conference
Fiscal Year Ended December 31, 2014**

On May 11, 2015 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 Rio Chama

Fred Vigil, President

Office of the State Auditor

U. Chan Kim, CPA, Audit Manager