

**STATE OF NEW MEXICO**

**TULAROSA COMMUNITY  
DITCH CORPORATION**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

**For the Year Ended  
November 30, 2010**

James L. Hartogenesis, CPA LLC

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Certified Public Accountants

**STATE OF NEW MEXICO**

**TULAROSA COMMUNITY**

**DITCH CORPORATION**

NOVEMBER 30, 2010

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**STATE OF NEW MEXICO**

**TULAROSA COMMUNITY  
DITCH CORPORATION**

OFFICIAL ROSTER  
NOVEMBER 30, 2010

**Board of Commissioners**

<u>Name</u>	<u>Title</u>
Norval Bookout	Chairman
Maurice Hobson	Treasurer
Brenda Abercrombie	Secretary

**Administration**

Robert Baca	Majordomo
Machele Lackey	Bookkeeper

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners  
Tularosa Community Ditch Corporation  
and  
Honorable Timothy M. Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by the Tularosa Community Ditch Corporation (the "Corporation") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Corporation's financial reporting relating to its capital outlay award and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended November 30, 2010. The Corporation is responsible for its financial reporting as described above. 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 those parties specified in the 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.

In accordance with Tier 3 of the Audit Act – Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC, our procedures and associated 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.
  - b) Determine that the cash disbursements were properly authorized and approved in accordance with the 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).
  - d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

- 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.

**Findings:**

100% of capital outlay disbursements were tested. For all disbursements that were tested, the amount recorded as disbursed agreed to adequate supporting documentation, and the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check, where applicable. Procurement for the project was tested, and it was noted that 8 bids were received, and the vendor with the highest evaluation was selected, in compliance with the New Mexico Procurement Code and State Purchasing Regulations. Because the capital outlay award was primarily for ditch maintenance, the procedure for testing for physical existence of the asset is not an applicable procedure. Formal status reports were not required under the capital outlay agreement, therefore this procedure is also not applicable.

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.

**Findings:**

The project was not funded in advance, therefore this procedure is not applicable.

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.

**Findings:**

The project was not funded in advance, therefore this procedure is not applicable.

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.

**Findings:**

The capital outlay award did not require a separate bank account, therefore this procedure is not applicable.

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.

**Findings:**

5 out of 5 reimbursement requests were tested and were properly supported by costs incurred by the Corporation, and all costs were incurred by the Corporation prior to the request for each reimbursement. However, a reimbursement for \$5,000 received on 12/14/2009 was not paid to the vendor until 1/18/2010. See finding 2010-002 in the accompanying schedule of findings and responses.

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(l)(3)(C) NMAC.

**Findings:**

The Corporation did not complete an auditor recommendation or submit their annual agreed-upon procedures report to the Office of the State Auditor by the statutory deadline. See finding 2010-001 in the accompanying schedule of findings and responses.

No other findings were noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Corporation's financial reporting to the State Auditor as described above. 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 the Tularosa Community Ditch Corporation, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

*James L. Hartogensis, CPA LLC*

Albuquerque, New Mexico  
February 23, 2016

**SCHEDULE OF  
CAPITAL PROJECTS**

**STATE OF NEW MEXICO**  
**TULAROSA COMMUNITY DITCH CORPORATION**  
**SCHEDULE OF CAPITAL PROJECTS**  
**Year Ended November 30, 2010**

<u>Project Number</u>	<u>Project Name</u>	<u>Amount Awarded</u>	<u>Amount Received</u>	<u>Amount Expended</u>	<u>Remaining Balance</u>	<u>Legislation/ Effective Dates</u>
07-4805	Tularosa Community Ditch Corporation Reservoir Improvements	\$200,000	\$101,573	\$101,573	\$ 98,427	Laws of 2007, Ch. 42/Sec. 67/Item 27 7/1/2007 - 6/30/2011



**STATE OF NEW MEXICO**  
**TULAROSA COMMUNITY**  
**DITCH CORPORATION**  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED NOVEMBER 30, 2010

**Current Year Findings**

**2010-001**      **Late Agreed-Upon Procedures Report and Recommendation (Significant Deficiency, Other Noncompliance)**

*Condition:* The Corporation did not submit their 2010 agreed-upon procedures report to the Office of the State Auditor by April 30, 2011, the due date of the report. In addition, the independent public accountant (I.P.A.) recommendation for 2010 was not submitted to the State Auditor until November 2015.

*Criteria:* 2.2.2 NMAC (State Audit Rule) requires submission of the I.P.A. recommendation at least 30 days prior to year-end, or by November 1, 2010. 2.2.2 NMAC also requires submission of audit reports within five months after year-end, or April 30, 2011.

*Cause:* The Corporation was not aware of the reporting requirements until 2015 and did not recommend and contract with an I.P.A. until November, 2015.

*Effect:* The Corporation was not in compliance with the State Audit Rule, which could impact its ability to receive grants from federal and state sources.

*Recommendation:* The Corporation should prepare the annual I.P.A. recommendation by November 1 of each year and submit it to the Office of the State Auditor. The Corporation should also institute policies and procedures that will enable it to complete their annual State Auditor reporting within five months after year-end.

*Management's Response:* As to the initial reason for not complying with any audits heretofore, we now know that it is our yearly duty to comply with one each year we surpass the financial parameters of Tier 2 descriptions. We will comply with that ruling each and every year we are so fortunate to receive government assistance for infrastructure which raises our income to the Tiers 3-5. As we need to continue this format of renovation of pipeline and other improvements to our ditch, we will be vigilant to initiate the request for an independent audit in a timely manner.

**STATE OF NEW MEXICO  
TULAROSA COMMUNITY  
DITCH CORPORATION**

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED NOVEMBER 30, 2010

**Current Year Findings - continued**

**2010-002 Capital Project Reimbursement Received Prior to Vendor Being Paid (Significant Deficiency, Other Noncompliance)**

*Condition:* The Corporation received \$5,000 from the state on December 14, 2009 for costs incurred in October 2009 under state project #07-4805. The vendor was paid on January 18, 2010, 35 days after the reimbursement was received.

*Criteria:* Tier 3 procedures under Section 2.2.2.16 NMAC require verification that state capital outlay costs of local public bodies are paid prior to requesting reimbursement from the applicable state agency. Internal control related to payables should include procedures to ensure timely payment of vendor invoices.

*Cause:* The project was just beginning in 2009 and the Corporation did not yet have all of the necessary procedures in place relating to reimbursements and vendor payments.

*Effect:* The Corporation could jeopardize funding for future state capital outlay projects.

*Recommendation:* We recommend the Corporation establish and implement procedures and policies for receipts and disbursements. The policies and procedures should also address compliance with laws and regulations.

*Management's Response:* Insofar as the late payment to the vendor (reimbursement from our account in excess of the 30-day limit for turnaround), we were employing another bookkeeper during those years. The bookkeeper was receiving chemotherapy during a three year period and many of the financial deadlines were not met. The check from our account went out on day 35 at which time it was paid in full.

**STATE OF NEW MEXICO  
TULAROSA COMMUNITY  
DITCH CORPORATION**  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED NOVEMBER 30, 2010

**Prior Year Findings**

None.

**STATE OF NEW MEXICO  
TULAROSA COMMUNITY  
DITCH CORPORATION  
EXIT CONFERENCE  
YEAR ENDED NOVEMBER 30, 2010**

The report contents were discussed at an exit conference held on March 1, 2016 with the following in attendance:

**Tularosa Community Ditch Corporation**

Karen Lerner	Current Secretary
Danielle Roberts	Current Bookkeeper

**James L. Hartogenesis, CPA LLC**

James Hartogenesis, CPA, CGFM	Principal
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