

State of New Mexico
Acequia De Las Joyas
2016 Tier 4 Agreed Upon Procedures Report
December 31, 2016

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Acequia De Las Joyas

Tier 4 Agreed Upon Procedures Report

December 31, 2016

Official Roster

Edward Romero, Mayordomo

Douglas Hefele, Treasurer / Secretary

Ben Royal, Commissioner

Mario Romero, Commissioner

David Craig, Commissioner

Independent Accountant's Report on Applying Agreed-Upon Procedures

Wayne Johnson
New Mexico State Auditor
and
Edward Romero, Mayordomo
Acequia De Las Joyas
Santa Fe, NM

We have performed the procedures enumerated below, which were agreed to by the New Mexico Office of the State Auditor and Acequia De Las Joyas (Acequia), as of December 31, 2016. The Acequia's management is responsible for the Tier System Reporting established by the New Mexico Office of the State Auditor. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

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."

We verified the Acequia's calculation and determination as a Tier 4 agreed upon procedures engagement.

2. Cash:
 - a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.

The Treasurer maintains a checkbook register that shows ongoing balances; however, there was no evidence that the checkbook was reconciled to the monthly bank balance.

- b. Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

We compared checkbook register end of month balance for January, February, July and December 2016, to the bank balance for the respective months and found favorable unreconciled variances of \$30.33, \$0, \$153.10 and \$304.11, respectively.

- c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable

The Acequia bank balances during the year were fully insured by FDIC.

3. Capital Assets - Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

The Acequia does not have any movable chattels and equipment.

4. Revenue - Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.
 - a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The Acequia does not have a formal budget for its annual assessment which is based on \$12/hr. of water use by parcientes. The Acequia received two grants for its flume and concrete lining project with an estimated cost of \$133,224. Total deposits cleared the bank during the year were \$59,510, including \$52,023 from the New Mexico Interstate Stream Commission (NMISC); however, the grant from the Regional Conservation Partnership Program (RCPP) paid approved invoices directly to the contractor.

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

We reviewed deposits from February thru April of 2016, totaling \$55,744.49, representing three highest deposit months during the year, noting the amounts were recorded in the checkbook register and reflected in the bank statements.

- c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

See item 4b above. The Acequia maintains its checkbook register on a cash basis.

5. Expenditures- Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

Total checks cleared the bank during the year were \$61,501. ZLS reviewed 6 out of 22 checks totaling \$54,989, noting the amounts were recorded in the checkbook register and cleared the bank. There was no supporting documentation for 2 checks other than the cancelled checks that cleared the bank, which totaled \$1,025 (Ethan Herzog, ck#1049, \$600; Los Alamos Landscaping, ck#1056, \$425).

- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The Acequia has two authorized check signors; the Treasurer and the Mayordomo. The Treasurer authorizes and signs most checks unless he is out of town, then the Mayordomo will take over the duties.

- 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 (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

The Acequia advertised in the Albuquerque Journal seeking seal bids for its flumes and concrete lining project. The Acequia received three bids and hired the lowest bid contractor. The Acequia complied with the NM Procurement Code.

6. Journal Entries:

The Acequia does not have any journal entries since it only maintains the checkbook register.

7. Budget - Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

The Acequia did not submit the original budget to the DFA-LGD.

- b. Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.
- c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual, or modified accrual basis) for each individual fund.

The Acequia does not have an operating budget. Under the grant agreement from NMISC, the Acequia is only required to provide estimated costs for the project, \$133,224, which was approved by both NMISC and RCPP. The final cost of the project was \$115,608.

8. Other - 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 all required content detailed in Section 2.2.2.10(L) NMAC.

During the year, the Acequia hired a laborer and issued him three checks totaling \$1,502. The Acequia did not issue the laborer a Form 1099-MISC.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 Tier System Reporting. 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 the management of Acequia De Las Joyas, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Zlotnick, Laws & Sandoval, PC
January 19, 2018

Acequia De Las Joyas

2016 Tier 4 Agreed Upon Procedures Report

For the Year Ended December 31, 2016

Budget to Actual (Non-GAAP Budgetary Basis)

	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water fees	-0-	-0-	7,487	7,487
Capital grants	-0-	-0-	109,827	109,827
Total revenues	-0-	-0-	117,314	117,314
Expenditures				
Contractual services	-0-	-0-	115,608	(115,608)
Other costs	-0-	-0-	3,953	(3,953)
Total Expenditures	-0-	-0-	119,561	(119,561)
Excess of revenue over expenditures			(2,247)	
Beginning cash balance			9,295	
Ending cash balance			<u>7,048</u>	

See Agreed-Upon Procedures Report.

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Year-end Report Submitted to DFA: [The Acequia did not submit any report to the DFA.](#)

Acequia De Las Joyas

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Schedule of Findings and Responses

Prior Year Findings: **None**

Current year Findings:

2016-001

Budget and Reports to DFA

Condition:

The Acequia did not submit an annual operating budget and quarterly financial reports to the Department of Finance and Administration (DFA) for approval and review.

Criteria:

Section 6-6-2 NMSA 1978 requires local public bodies to furnish and file operating budgets and financial reports with DFA – Local Government Division each year.

Effect:

Non-compliance with State requirements.

Cause:

Management was not aware of the filing requirements to the DFA.

Recommendation:

Management should attend training offered by DFA local government division to comply with the above State Statutes.

Management Response:

Management will review this issue in 2018 with OSA and DFA to determine if this requirement is applicable to acequias and will follow up with training if it is in fact required.

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**2016-002
1099-MISC**

Condition:

The Acequia paid a laborer \$1,502 for services during the year, but did not send him the Form 1099-MISC.

Criteria:

Under the IRS Instruction for Form 1099-MISC, businesses, including state and local government agencies are required to file the above form for each nonemployee compensation of \$600 or more during the year.

Effect:

The Acequia did not comply with the Internal Revenue Code Section 1.6041 for non-filing of Forms 1096 and 1099-MISC.

Cause:

Management was not aware of the requirements and therefore didn't request the taxpayer identification number.

Recommendation:

Management needs to establish procedures to require nonemployees who will receive \$600 or more during the year to fill out the Form W-9, Request for Taxpayer Identification Number and Certification. Management will then have the required information to prepare and file Forms 1096 & 1099-MISC.

Management Response:

Management will establish procedures in 2018 to require non-employees who will receive \$600 or more during the year to fill out the Form W-9 and follow up with additional forms as required.

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2016-003

Bank Reconciliations

Condition:

The Treasurer maintains a checkbook register that shows ongoing balances; however, there was no evidence that the checkbook was reconciled to the monthly bank balance.

Criteria:

Bank accounts should be reconciled on a monthly basis and differences should be investigated on a timely basis.

Effect:

Variances may exist between bank and checkbook register balances without the knowledge of governance.

Cause:

There is no established procedure in place to ensure monthly bank reconciliations are done.

Recommendation:

The governance should establish a policy that requires the treasurer to reconcile the bank account with the checkbook register on a monthly basis.

Management Response:

Bank statements will be reviewed and compared to financial records that are recorded in a checkbook ledger monthly. This practice and expectation of the elected, unpaid, volunteer acequia Treasurer will continue and will be detailed in writing by management in 2018.

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Exit Conference

An exit conference was held on January 26, 2018, with the following individuals to discuss the results of the agreed upon procedures and the contents of this report in a closed meeting:

Acequia De Las Joyas

Douglas Hefele, Secretary/Treasurer

Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA

Ban Trinh, CPA