

State of New Mexico
Acequia de Los Barriales
2016 Tier 3 Agreed Upon Procedures Report
December 31, 2016

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Official Roster

As of December 31, 2016

Joe Gallegos, President

Diego Jaramillo, Vice President

Antonio DeVargas, Secretary/Treasurer

Tony Chacon, Member

Marvyn Jaramillo, Member

Angelina Tena, Member

Margie Pena, Member

Arturo Arachuleta, Member

Michael Velasquez, Member

Independent Accountant's Report on Applying Agreed-Upon Procedures

Timothy Keller
New Mexico State Auditor
and
Joe Gallegos, President
Acequia de Los Barriales
Servilleta Plaza, NM

We have performed the procedures enumerated below, which were agreed to by the New Mexico Office of the State Auditor and Acequia de Los Barriales (Acequia), on the accompanying Statement of Capital Outlay Award for the year ended December 31, 2016. The Acequia's management is responsible for the Statement of Capital Outlay Award for the year ended December 31, 2016. 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."

The Accountant verified the Acequia's calculation and determination as a Tier 3 agreed upon procedures engagement.

2. 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 the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

All of the disbursements were properly authorized and approved and 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 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 completed projects were observed on May 31, 2017.

- 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.

Each of the agreements the Acequia has with the New Mexico Interstate Stream Commission (NMISC) required the Acequia to submit monthly reports on a prescribed form that was attached as an exhibit to the agreement. The report was entitled "Paper Periodic Report" and was due the last day of each month and was required to be submitted each month until the project was terminated and the final report submitted. The Acequia failed to submit the monthly reports, but is currently working to submit the final reports. See Finding 2016-001.

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 projects were not funded in advance. The Acequia was required to submit reimbursement forms to the NMISC upon completion of work on the project. The Acequia paid for its project expenditures after the Acequia received checks from the NMISC.

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.

There was no unexpended balance at December 31, 2016.

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 capital project agreement did not require the funds to be held in a separate bank account.

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.

The Acequia filed Request for Reimbursement Forms with the NMISC 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 checks were received from the NMISC. A finding was not considered necessary since the Acequia complied with the NMISC's reimbursement procedures requirements.

7. 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 (1)(3)(C) NMAC.

See the Schedule of Findings and Responses listed in the table of contents.

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 Statement of Capital Outlay Award. 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 Los Barriales, 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 Law & Sandoval, P.C.

Zlotnick, Laws & Sandoval, PC

June 5, 2017

Statement of Capital Outlay Awards

Project: Grant to plan, design, construct, and install improvements for the Acequia de Los Barriales.

Amount Awarded for Project (Note 1)	\$	88,119
Amount Received/Requested		88,119
Amount Expended as of 12/31/16		<u>88,119</u>
Remaining Balance	\$	<u>-0-</u>

Note 1: The capital project funds were appropriated as follows:

\$88,119 pursuant to New Mexico Laws of 2014, Chapter 66, Section 37, Paragraph 2. The agreement with the Interstate Stream Commission was dated October 21, 2015. The agreement terminated on October 21, 2016.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

Schedule of Findings and Responses

Prior Year Findings: None

Current year Findings:

2016-001 – Non-compliance per terms of the agreement with grantor – Noncompliance

Condition: The Acequia failed to submit monthly reports to the New Mexico Interstate Stream Commission (NMISC). The Acequia has multiple agreements with the NMISC that require the Acequia to submit “Paper Periodic Reports” on a monthly basis beginning the first month following execution of the agreement and ending upon submission of a “Paper Final Report for the Project”.

Criteria: Multiple agreements with the NMISC.

Effect: Noncompliance with the agreement.

Cause: The Acequia had not put controls in place, or has circumvented controls, that insure that all filings required by the NMISC are submitted on time.

Recommendation: The Acequia needs to formalize and enforce controls that identify deadlines and require the timely filing of state reports.

Management Response: We agree with the above recommendation and will implement controls to ensure the timely filing of reports to the State. The Commissioner and the Treasurer are currently working to submit the final reports to DFA and the ISC and will have reporting complete by June 30, 2017. Additionally, the NMISC now provides training, which the Commissioner and Treasurer have attended, to help Acequias to file the reports electronically. The Acequia is now familiar with the system and will include their updated knowledge as part of the effort to implement controls to insure timely filings. Beginning in January 2017 the Acequia is current with their monthly reporting to the ISC.

2016-002 – Late Report – Noncompliance

Condition: The Acequia to submit the AUP report by the required due date.

Criteria: 2.2.2.9 NMAC.

Effect: The report was not reviewed and made available to the public in a timely manner.

Cause: The Acequia had not put controls in place, or has circumvented controls, that insure that all filings required by the State are submitted on time.

Recommendation: The Acequia needs to formalize and enforce controls that identify deadlines and require the timely filing of state reports.

Management Response: We agree with the above recommendation and will implement controls to ensure the timely filing of reports to the State. The Commissioner and Treasurer will implement a system by June 30, 2017 to track state compliance and ensure that required reports are filed timely.

Acequia de Los Barriales

2016 Tier 3 Agreed Upon Procedures Report

Exit Conference

On May 31, 2017, an exit conference was held 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 Los Barriales

Joseph Gallegos, Chairman

Tony Chacon, Treasurer

Zlotnick, Laws & Sandoval, PC

Brian N. Laws, CPA