

# **Accounting & Auditing Services, LLC**

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

**Acequia de Los Barriales**

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

**For the Fiscal Year Ending December 31, 2017**

**Acequia de Los Barriales**  
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**Fiscal Year Ending December 31, 2017**

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**Acequia de Los Barriales  
Official Roster  
Fiscal Year Ending December 31, 2017**

**Board of Commissioners**

Joe Gallegos, President

Tony Chacon, Secretary/Treasurer

James Montoya, Board Member

Marvyn Jaramillo, Board Member

Arturo Archuleta, Board Member

Michael Velasquez, Board Member

Angelina Pena, Board Member

Margaret Pena, Board Member

Antonio "Ike" DeVargas, Board Member

**Administrative Staff**

None

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

Board of Commissioners  
Acequia de Los Barriales  
and  
Wayne Johnson, New Mexico State Auditor

I have performed the procedures enumerated below for the Acequia de Los Barriales (Acequia) for the year ended December 31, 2017, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) 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

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."

According to the Acequia's general ledger, total revenues for the fiscal year ending December 31, 2017 were \$191,317 including \$164,764 of grant revenue from a 90/10 cost share grant/loan agreement from the NM Interstate Stream Commission and \$13,420 of grant revenue from the NM Association of Conservation Districts. The NM Office of the State Auditor reviewed the grant information and notified the Acequia that the grant revenue should be included in total revenues for tier determination purposes. Based on the notification from the NM Office of the State Auditor, the Association was determined to be a Tier 4 entity for FY17 since their revenues were between \$50,000 and \$250,000.

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 Association has one checking account at Century Bank. The bank statements were complete and on hand. However, management of the Acequia did not perform any bank account reconciliations. See Finding 2017-001 on p. 6.

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

This procedure could not be performed since there are no bank account reconciliations and quarterly reports were not submitted to DFA-LGD. See Finding 2017-002 on p. 7.

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

Pledged collateral was not required since the checking account balance was fully insured by the FDIC.

### 3. Capital Assets

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

The Acequia did not perform a capital asset inventory at year-end since they do not have any movable chattels and equipment that cost more than \$5,000, and none were noted during the agreed-upon procedures.

### 4. Revenues

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

The revenue sources of the Acequia consist of member dues and special assessments, a grant from the NM Interstate Stream Commission and a grant from the NM Association of Conservation Districts.

Actual revenue compared to the prior fiscal year revealed no significant or unusual fluctuations and the variances were adequately explained by the Acequia's President. Actual revenue compared to budgeted revenue for FY17 could not be analyzed since the Acequia did not prepare a budget for the fiscal year ending December 31, 2017. See Finding 2017-002 on p. 7.

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



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

A sample of cash receipts were judgmentally selected and tested which amounted to 98% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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.

The cash receipts tested were properly classified and recorded in the general ledger.

## 5. Expenditures

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

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

A sample of cash disbursements were tested which amounted to 99% of total expenditures. The amounts recorded as 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 Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in compliance with the budget and legal requirements.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code. The Acequia did not have any expenditures for per diem and mileage.

## 6. Journal Entries

- a. Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

According to the Acequia's President, no non-routine journal entries were posted to the general ledger in FY17 and none were noted during the agreed-upon procedures.

- ii. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Acequia has a procedure in place whereas non-routine journal entries posted by the Secretary/Treasurer are reviewed and approved by the Board of Commissioners during the board meetings.

## 7. Budgets

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following testwork:

- i. 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 Association did not prepare a budget for the fiscal year ending December 31, 2017. See Finding 2017-002 on p. 7.

- ii. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

This procedure could not be performed since the Acequia did not prepare a budget for the fiscal year ending December 31, 2017.

- iii. 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.

See Exhibit 1 on p. 9.

## 8. Other

- a. 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.

No other findings were noted during the performance of the agreed-upon procedures.

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 NM State Auditor, 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.

*Accounting & Auditing Services, LLC*

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

May 27, 2018



**Acequia de Los Barriales**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending December 31, 2017**

**Status of Prior Year Findings**

Finding 2016-001. Noncompliance with Terms of Agreement with Grantor – Resolved.

Finding 2016-001. Late Report – Resolved.

**Current Year Findings**

**Finding 2017-001. No Bank Account Reconciliations**

**Condition**

Management of the Acequia did not perform any bank account reconciliations during the fiscal year ending December 31, 2017.

**Criteria**

It is a prudent business practice to perform monthly bank accounts reconciliations to verify that all monetary transactions are accurately recorded and accounted for by the bank and the Acequia.

**Effect**

Without bank account reconciliations, recording errors or irregularities could have gone undetected and uncorrected.

**Cause**

Management of the Acequia has not established a policy to perform monthly bank account reconciliations.

**Recommendation**

The Acequia's Board of Commissioners should implement a policy requiring an official to perform and document the monthly bank account reconciliation shortly after the bank statement is received, but no later than the end of the following month.

**Management's Response**

We had a change in the position of the Board Treasurer due to family commitments. Beginning with the bank statement for the month ending May 31, 2018, the current Board Treasurer will perform the bank statement reconciliations and the Board of Commissioners

**Acequia de Los Barriales  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2017**

will ensure the bank statements are reconciled on a monthly basis before the end of the following month.

**Finding 2017-002. No Annual Budget or Quarterly Reports to DFA-LGD**

Condition

The Acequia's Board of Commissioners did not prepare an annual budget for the fiscal year ending December 31, 2017 and submit it to the NM Department of Finance & Administration's Local Government Division (DFA-LGD) for approval. Also, the Acequia did not submit any quarterly financial reports or the final year-end financial report to DFA-LGD.

Criteria

Pursuant to Section 6-6-2.A NMSA 1978, each local public body is required to furnish and file with DFA-LGD, on or before December 1 of each year, a proposed budget for the next fiscal year if they are determined to be a Tier 4 agency or higher.

Pursuant to Section 6-6-2.F NMSA 1978, the Acequia is required to submit quarterly financial reports to DFA-LGD if they are determined to be a Tier 4 agency or higher.

Effect

The Acequia was operating without an approved budget for the fiscal year ending December 31, 2017. DFA-LGD is unable to perform its oversight function of the Acequia without the quarterly financial reports.

Cause

The Acequia's Board of Commissioners was not aware they had to prepare a budget for 2017 and submit quarterly reports to DFA-LGD. Since 2010, the Acequia has been a Tier 1 or Tier 3 agency as defined by the State Audit Act, Section 12-6-3.B (1) and (3) NMSA. Tier 1 and Tier 3 agencies are exempt from the requirement to submit annual budgets and quarterly reports to DFA-LGD.

Recommendation

The Acequia's Board of Commissioners should thoroughly read the State Audit Act and the State Audit Rule 2018 (Section 2.2.2.16 NMAC) to understand the state law and tier determination rules.

**Acequia de Los Barriales**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending December 31, 2017**

For future fiscal years, if the Acequia determines they will be a Tier 4 agency or higher, the Acequia's Board of Commissioners should adopt and submit its annual budget for the next fiscal year to DFA-LGD by December 1. As required by Section 6-6-5 NMSA 1978, upon receipt of any budget approved by DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. After the Acequia receives the budget certification letter from DFA-LGD, the Board of Commissioners should make record of the approval in the minutes of its meetings. Furthermore, if required, the Acequia should submit quarterly and final year-end financial reports to DFA-LGD that report the cash balance, loan balance and cumulative totals for revenues and expenditures in the manner prescribed by DFA-LGD.

Management's Response

No later than July 2018, the Board of Commissioners will review and discuss the requirements of State Audit Rule 2018 (2.2.2.16 NMAC). Since the Acequia will not receive any grant funds from the State of New Mexico in 2018, the Acequia will be in Tier 1 for the fiscal year ending December 31, 2018. Therefore, the Acequia is not required to adopt a budget and submit quarterly reports to DFA-LGD for 2018. For future fiscal years, if the Acequia anticipates future revenue sources in excess of \$10,000, the Board of Commissioners will adopt a budget and submit quarterly reports to DFA-LGD in accordance with state laws and 2.2.2.16 NMAC.



**Acequia de Los Barriales**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending December 31, 2017**

**Exhibit 1**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Member Dues	\$ -	\$ -	\$ 793	\$ 793
Special Assessment - Audit	-	-	2,360	2,360
State Grant - NMISC	-	-	164,764	164,764
Federal Grant - NMACD/NRCS	-	-	13,420	13,420
Miscellaneous - Reimbursement	-	-	9,980	9,980
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,317</u>	<u>\$ 191,317</u>
<b>Expenditures</b>				
Engineering Services	\$ -	\$ -	\$ 11,378	\$ (11,378)
Construction Contractor	-	-	142,061	(142,061)
Acequia Labor	-	-	960	(960)
Advertisement	-	-	44	(44)
Office Supplies	-	-	-	-
Bank Charges	-	-	145	(145)
Meeting Rental	-	-	100	(100)
Audit Services	-	-	2,250	(2,250)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,937</u>	<u>\$ (156,937)</u>



**Acequia de Los Barriales  
Exit Conference  
Fiscal Year Ended December 31, 2017**

On May 27, 2018, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Acequia de Los Barriales

Joe Gallegos, President, Board of Commissioners

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager