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Acequia de los Espinosa

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended June 30, 2011

**Acequia de los Espinosa
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Fiscal Year Ended June 30, 2011**

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**Acequia de los Espinosa
Official Roster
Fiscal Year Ending June 30, 2011**

Acequia Commissioners

Leroy Ortiz, President

Flavio Martinez, Vice-President

Filimon Martinez, Treasurer/Mayordomo

Administrative Staff

None

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Leroy Ortiz, President, Acequia de los Espinosa
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Acequia de los Espinosa (Acequia) for the year ended June 30, 2011, 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, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. 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. 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 purchases agreed with the vendors' invoices, contracts and canceled checks. The Acequia does not use purchase order forms.

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

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.

- 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 awarded contracts for the design and construction of a lateral ditch 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 work done on the project was observed. The project work was completed and nothing unusual was noted.

- 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 Acequia submitted Project Budget and Request for Payment forms to the New Mexico Office of the State Engineer (NMOSE). The amounts requested in the Project Budget and Request for Payment forms agreed with the Acequia's general ledger and supporting documentation.

- f. 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 project was not funded in advance.

- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

The project was not fully completed; however, the project work funded by Capital Outlay Award #1 and #2 was fully expended as of June 30, 2011. For Capital Outlay Award #3, there was an unexpended balance of \$11,034.71; since the grant agreement had an expiration date of June 30, 2014, no funds had to be reverted and the remaining balance will be used to complete the project. See the Schedule of Capital Outlay Awards on p. 7 of this report.

- h. 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 grant agreement did not mandate a separate bank account. The Acequia used its checking account at the Valley National Bank in Espanola, NM to account for the grant receipts and check disbursements for the project expenditures.

- i. 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.

For Capital Outlay Award #1, the Acequia submitted seven Request for Payment forms to the NMOSE totaling \$75,925.53 for services rendered by the contractors.

For Capital Outlay Award #2, the Acequia submitted two Request for Payment forms to the NMOSE totaling \$7,845.69 for services rendered by the contractors.

For Capital Outlay Award #3, the Acequia submitted one Request for Payment form to the NMOSE totaling \$8,965.29 for services rendered by the contractors.

The Request for Payment forms were supported by invoices from the contractors for the work performed on the project. The invoices were not paid by the Acequia prior to the requests for payment because the Acequia did not have the necessary funds. The Acequia paid the contractors' invoices after the grant checks were received from the NMOSE.

2. The agreed-upon procedures 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 the Schedule of Capital Outlay Awards on p. 7 of this report.

3. 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 the required content per Section 2.2.2.10 (I)(3)(C) NMAC.

See Finding 2010-001 on p. 5 of this report.

We were not engaged to and did not conduct an audit, 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 and others with the Acequia, the New Mexico State Auditor, Department of Finance and Administration - Local Government Division, New Mexico Office of the State Engineer and the 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

April 5, 2016

**Acequia de los Espinosa
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2011**

Status of Prior Year Findings

Finding 2010-001. Late Submission of Firm Recommendation Form, Contract and Agreed-Upon Procedures Report – Modified and Repeated.

Current Year Findings

Finding 2010-001. Late Submission of Firm Recommendation Form, Contract and Agreed-Upon Procedures Report

Condition

For the fiscal year ending June 30, 2011, the Acequia de los Espinosa (Acequia) did not submit the Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until January 12, 2016.

Also, the agreed-upon procedures report for the fiscal year ending June 30, 2011 was not submitted to the OSA by the due date of December 1, 2011.

Criteria

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, the Acequia should have submitted the completed Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures contract to the State Auditor on or before July 1, 2011.

According to State Audit Rule, Section 2.2.2.16 (H) NMAC, local public bodies must submit the agreed-upon procedures report no later than 5 months after the fiscal year-end.

Effect

Since the recommendation form and contract were submitted late, the agreed-upon procedures report was not submitted to the State Auditor by the required due date.

If the report is late, users of the report are not receiving timely information about the results of the agreed-upon procedures.

**Acequia de los Espinosa
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2011**

Cause

Acequia management was unaware of the State Audit Act and OSA's rules and reporting requirements for agreed-upon procedures, and therefore, did not comply with the requirements by the established due dates.

Recommendation

The board members of the Acequia should thoroughly read Section 2.2.2.16 NMAC of Audit Rule 2016 to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, the Acequia shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC (Determination of Revenues and Services) to determine what agreed-upon procedures or audits are required for the fiscal year.

The Acequia should take the necessary action to ensure that future contracts and agreed-upon procedures reports are submitted to the Office of the State Auditor as follows:

- According to State Audit Rule, Section 2.2.2.8.J (9) NMAC (effective March 15, 2016), "After completing the evaluations for each IPA and making the IPA selection, each agency must enter the appropriate requested information online on the OSA-Connect website (www.osa-app.org). According to State Audit Rule, Section 2.2.2.16.J (11) NMAC, the Acequia "shall deliver the unsigned contract generated by OSA-Connect to the office by July 1."
- According to State Audit Rule, Section 2.2.2.16.G (1) NMAC (effective March 15, 2016), "For local public bodies with a June 30 fiscal-year end, the report or certification due date is December 15."

Management's Response

The President of the Acequia de los Espinosa and the Commission will take the necessary action to ensure that future contracts, agreed-upon procedures, reports or certifications are submitted to the Office of the State Auditor by the required due dates.

**Acequia de los Espinosa
Schedule of Capital Outlay Awards
For the Fiscal Year Ending June 30, 2011**

	<u>1</u>	<u>2</u>	<u>3</u>
Amount Awarded for Project	\$ 86,639.11	\$ 90,761.69	\$ 20,000.00
Amount Received and Expended - FY10	(10,713.58)	(82,916.00)	-
Amount Received and Expended - FY11	(75,925.53)	(7,845.69)	(8,965.29)
Remaining Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,034.71</u>

Agreement Provisions

1 - Grant Agreement Between the New Mexico Office of the State Engineer, the Interstate Stream Commission and the Acequia de los Espinosas (Appropriation ID #09-3845 Reauthorization).

Legislative Authority: NM Laws of 2009, Chapter 7, Section 3, Subsection 111 (STB)

Date of Agreement: February 11, 2010

Project Description: To install improvements including lining, to the Espinoza lateral ditch of the Greater Chimayo Mutual Domestic Water Consumers Association in Rio Arriba County.

Estimated Project Cost: \$86,639.11

State Grant Amount: \$86,639.11

Agreement termination/reversion date: July 1, 2011

2 - Grant Agreement Between the New Mexico Office of the State Engineer, the Interstate Stream Commission and the Acequia de los Espinosas (Appropriation ID #09-3846 Reauthorization).

Legislative Authority: NM Laws of 2009, Chapter 7, Section 3, Subsection 112 (STB)

Date of Agreement: February 11, 2010

Project Description: To plan, design and construct improvements including purchase and installation of non-reinforced concrete material to the Acequia de los Espinosas in Chimayo, Rio Arriba County.

Estimated Project Cost: \$90,761.69

State Grant Amount: \$90,761.69

Agreement termination/reversion date: July 1, 2011

3 - Grant Agreement Between the New Mexico Interstate Stream Commission and the Acequia de los Espinosas located in Rio Arriba and Santa Fe Counties (Appropriation ID #10-1120).

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

Date of Agreement: March 20, 2011

Project Description: To plan, design and construct improvements to the Acequia de los Espinosas in Chimayo in Rio Arriba and Taos Counties.

Estimated Project Cost: \$20,000

State Grant Amount: \$20,000

Agreement termination/reversion date: June 30, 2014

**Acequia de los Espinosa
Exit Conference
Fiscal Year Ended June 30, 2011**

On April 5, 2016, 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 de los Espinosa

Gloria N. Trujillo, Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager