

State of New Mexico
La Acequia de Los Molinos
2015 Tier 4 Agreed Upon Procedures Report
December 31, 2015

La Acequia de Los Molinos

2015 Tier 4 Agreed Upon Procedures Report

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Official Roster

As of December 31, 2015

Board of Directors

Stephen Trujillo, President

Tim Chacon, Secretary

Elaine Trujillo, Treasurer

Administrative Staff

Charlie Sandoval, Mayordomo



Independent Accountant's Report on Applying Agreed-Upon Procedures

Wayne A. Johnson
New Mexico State Auditor
and
Stephen Trujillo, President
La Acequia de Los Molinos
Taos, NM

We have performed the procedures enumerated below which were agreed to by the La Acequia de Los Molinos (Acequia) through the New Mexico Office of the State Auditor on determining compliance with, and pursuant to, Tier 4 of the Audit Act (Section 12-6-1 et seq., NMSA 1978) for the year ended December 31, 2015. The Acequia's management is responsible for its accounting records and the subject matter. 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 under "Tiered System Reporting Main Page."

The Accountant 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.

All bank and investment statements for the fiscal year are complete and on-hand. The Acequia does not perform formal written bank reconciliations during the year.

- 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.

The Acequia does not complete formal written bank reconciliations. However, we did observe that all items of deposits and disbursements were reflected in the bank statements. There was a total of 11 transactions during the year ended December 31, 2015. Almost all transactions clear in the month they are initiated.

The Acequia does not maintain a general ledger and does not submit reports to DFA-Local Government Division.

- 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 bank account balances of the Acequia were fully insured by the FDIC. Pledged collateral was not required since the Acequia's bank balances were well below \$250,000 during the fiscal year.

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 does not own any capital assets.

4. Revenues

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 revenue sources of the Acequia consist of water fees to members. Total assessments for 2015 were \$840.00 and all amounts were paid. During the year, the Acequia also received \$60,074.04 in grants from State of New Mexico sources to complete a dam diversion capital project. The Acequia does not prepare a formal budget. All operating revenues for the year are approved by the board at the annual meeting

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.

All revenues assessed at the annual meeting in April of 2015 were paid and traced to deposit in the bank statement.

- 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.

The cash receipts tested were properly classified and recorded in the bank statement on the cash basis of accounting. The Acequia does not maintain a general ledger or set of books.

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 vendor's invoice, purchase order, contract and canceled check, as appropriate.

100% of cash disbursements were tested. 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 Acequia does not use purchase order forms.

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

The operating cash disbursements tested were properly authorized and approved in the annual meeting of the board. Cash Disbursements for the capital project were supported by invoices and approvals for payment.

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

We observed that the capital project was awarded in accordance with a bid process that included an advertisement for bid and receipt of 3 bid proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations.

6. Journal Entries

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

- a. Journal entries appear reasonable and have supporting documentation.
- b. The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

There were no non-routine journal entries noted. The Acequia does not maintain a general ledger.

7. Budgets

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- 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 does not create a budget. None of the processes above were completed.

- b. 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.

Not Applicable. The Acequia does not complete a budget. All operating expenditures for the year are approved at the annual meeting. The capital project expenditures were in the amount of the bid awarded to the winning contractor.

- 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.

See the Schedule of Revenues and Expenditures – No Budget figures are included in the schedule.

8. Other

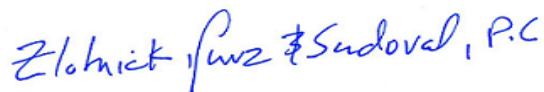
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the

report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(L)NMAC.

- a. The Acequia did not submit the agreed-upon procedures report by the due date as required by the 2015 State Audit Rule. See the Schedule of Findings and Responses finding 2015-002.

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 of Tier 4 procedures including the Schedule of Revenues and Expenditures - Budget and Actual. 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 La Acequia de Los Molinos, 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

October 28, 2017

La Acequia de Los Molinos
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Schedule of Revenues and Expenditures – Budget and Actual

Non-GAAP Cash Basis
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Water Fees			840	840
Interstate Stream Commission Grant			51,129	51,129
Taos Soil & Water Conservation District Grant			8,945	8,945
Total Revenues			<u>60,914</u>	<u>60,914</u>
Expenditures				
Contractual Services			580	(580)
Office Supplies			9	(9)
Diversion Dam Project			61,676	(61,676)
Total Expenditures			<u>62,265</u>	<u>(62,265)</u>

See Independent Accountant's Report on applying Agreed-Upon Procedures

**La Acequia de Los Molinos
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Schedule of Findings and Responses

Prior Year Findings:

This is the first year an Agreed Upon Procedures Engagement has been performed.

Current year Findings:

2015-001 – Non-compliance with Budget Laws and Regulations – Noncompliance

Condition

The Acequia does not have adequate controls in place to ensure the timely filing of budgets and financial reports to the Department of Finance and Administration. An operating budget was not prepared and approved by the Acequia nor submitted to the DFA-LGD for approval.

Criteria

NMSA 6-6-2 Local government division; powers and duties, grants the local government division of the Department of Finance and Administration the power to require each local public body to file a proposed budget and periodic financial reports before a given deadline.

Effect

Noncompliance with DFA reporting requirements.

Cause

Because the normal annual receipts and disbursements of the Acequia have been less than \$1,000, the Acequia had not put controls in place, that insure that all filings required by the local government division are submitted on time.

Recommendation

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

Management Response

We agree with the finding. In accordance with our responsibility to the State Department of Finance, our Acequia and Parciantes, we as elected commissioners will formalize controls by including in the Agency's Bylaws, Section 2: Duties of the Officers, that a LPB Tier Determination form is required to be filled out at the end of the fiscal year (Dec. 31st-Tier Assessment preferred is sent in one month later but due by June 1st).

Step 1: The responsibility would be added to the Treasurer's duties. It would become the last item on the financial report to be reported on before approval of the report takes place.

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Schedule of Findings and Responses (continued)

Step 2: In coordination with the other commissioners, all are to assist in verifying the information on the Tier Form and making sure it meets the deadline to be decided and voted on at the annual meeting (usually held in March).

Step 3: By discussing the Tier Process at the annual meeting we can automatically determine if our agency requires an an Audit or simply the filling out of a Tier 1 Form. This would ensure the timely submission of the report within the allotted time of January 1st to June 1st.

Step 4: Submission of annual reports to the Department of Finance are to be completed during the month of our annual meeting (usually March) or a date within the timeline of January 1st to June 1st voted on by the parciantes.

2015-002 – Late Report – Non-compliance

Condition

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

Criteria

The Acequia is required to submit the agreed-upon procedures report within five months of the end of its fiscal year per 2.2.2 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 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 board President and Treasurer will implement a system by March 1, 2018 to track state compliance and ensure that required reports are filed timely.

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Schedule of Findings and Responses (continued)

2015-003 – General Ledger – Material Weakness and Non-compliance

Condition

The Acequia does not maintain a formal general ledger to allow for the accumulation of accounting data that will allow management to prepare financial statements and related budget reports.

Criteria

Section 6-6-3(A) NMSA 1978 requires every local public body to “keep all the books, records and accounts in their respective offices in the form prescribed by the local government division” of the New Mexico Department of Finance and Administration. The Acequia is required to maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. The general ledger must be able to substantiate accurate detail as to the financial activity of the Acequia.

Effect

The lack of maintaining a general ledger prohibits the management and governing board from preparing the required financial reports to allow it to make prudent financial decisions.

Cause

The governing board is made up of volunteers and the limited number of transactions processed during a normal year were maintained and disclosed in the Treasurer’s report. The board believed the maintenance of a formal general ledger was not necessary.

Recommendation

We recommend the Acequia maintain a general ledger to account for all of its financial transactions to allow it to prepare the necessary financial reports.

Management Response

We agree that the Acequia de los Molinos does not currently maintain a general ledger. In accordance with Section 6-6-3(A)NMSA 1978, we as elected commissioners, will begin maintaining a general ledger to account for all of its financial transactions. Its implementation will begin during our annual meeting held in March of 2018.

2015-004 – Bank Reconciliations – Material Weakness and Non-Compliance

Condition

The Acequia does not currently prepare formal bank reconciliations.

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Schedule of Findings and Responses (continued)

2015-004 – Bank Reconciliations – Material Weakness and Non-compliance (continued)

Criteria

Section 6-6-3(A) NMSA 1978 requires every local public body to “keep all the books, records and accounts in their respective offices in the form prescribed by the government division” of the New Mexico Department of Finance and Administration. Daily cash records should reflect the public money on hand at the close of each day’s business as required by the Public Monies Act, Section 6-10-2 NMSA 1978. In addition, good accounting practice requires that internal controls over a significant account or process be adequately designed.

Effect

The Acequia has not complied with New Mexico State Statutes and sound accounting practices.

Cause

The Acequia had a total of eleven transactions during the year and almost all transactions clear in the month they are initiated therefore limiting the number of reconciling items at the end of a given month. There is no formal policy that requires bank reconciliations be prepared because of the small number of transactions.

Recommendation

We recommend the Acequia develop a policy that requires bank reconciliations be performed each month. The bank reconciliation should be reviewed by an individual not involved in the reconciliation itself.

Management Response

We agree that the Acequia de los Molinos does not currently prepare formal bank reconciliations. We also agree that we, Commissioners and Parciantes, need to set up a sound accounting practice to keep up to par with New Mexico State Statutes. The recommendation that we develop a policy that requires bank reconciliations be performed each month is acceptable as almost all transactions clear in the month they are initiated. Since the Chairman and the Secretary are not involved in the bank reconciliation process, they will alternate in reviewing and initialing the completed bank reconciliation prepared by the Treasurer each month. This review process will begin in March 2018.

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Exit Conference

On December 28, 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:

La Acequia de Los Molinos

Stephen Trujillo, President

Elaine Trujillo, Treasurer

Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA