

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Acequia de Tecolotito

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending December 31, 2018

Acequia de Tecolotito
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Fiscal Year Ending December 31, 2018

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**Acequia de Tecolotito
Official Roster
Fiscal Year Ending December 31, 2018**

Board of Commissioners

Jose R. Lucero, President

Mary S. Baca, Treasurer

Annabel Baca/Shافر, Secretary

Administrative Staff

None

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners

Acequia de Tecolotito

Anton Chico, New Mexico

and

Brian S. Colon, Esq., New Mexico State Auditor

Santa Fe, New Mexico

I have performed the procedures enumerated below for the Acequia de Tecolotito (Acequia) for the year ended December 31, 2018, 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 under "Tiered System Reporting Main Page."

According to the Acequia's general ledger, total revenues for the fiscal year ending December 31, 2018 were \$115,765 including \$55,480 of revenue from the NM Interstate Stream Commission under a 90/10 cost share grant/loan agreement, and \$55,572 of grant revenue from the NM Association of Conservation Districts. In accordance with the revenue calculation requirements included in NM Audit Rule Section 2.2.2.16(B) NMAC, the 90/10 cost share grant is included in the Acequia's total revenues for tier determination purposes. Based on this information, the Association was determined to be a Tier 4 entity for 2018 since their revenues were between \$50,000 and \$250,000 and the Acequia did not expend a capital outlay appropriation from the New Mexico State Legislature.

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 Wells Fargo Bank. The bank statements were complete and on hand. However, the Treasurer of the Acequia did not perform any bank account reconciliations. See Finding 2018-001 on p. 6.

- 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.

This procedure could not be performed since there are no bank account reconciliations and the quarterly financial reports were not submitted to DFA-LGD. See Finding 2018-002 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.

In 2018, the revenue sources of the Acequia consist of acequia assessments, special assessments, donations and grants from the New Mexico Interstate Stream Commission and the New Mexico 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 Treasurer. Actual revenue in 2018 compared to budgeted revenue for 2018 could not be analyzed since the Acequia did not prepare a budget for the fiscal year ending December 31, 2018. See Finding 2018-002 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 97% 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 98% 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 project 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 Acequia advertised an invitation for sealed bids, obtained bids and awarded a contract to a construction company for the Acequia Restoration Project. 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 Treasurer, no non-routine journal entries were posted to the general ledger in 2018 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 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 Acequia did not prepare a budget for the fiscal year ending December 31, 2018. See Finding 2018-002 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, 2018.

- 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 New Mexico State Auditor, the New Mexico Interstate Stream Commission, the New Mexico Department of Finance and Administration – Local Government Division, and the New Mexico 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 6, 2019

**Acequia de Tecolotito
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018**

Status of Prior Year Findings

There were no prior year findings.

Current Year Findings

Finding 2018-001. No Bank Account Reconciliations

Condition

The Treasurer of the Acequia did not perform any bank account reconciliations for 2018.

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

The Treasurer stated that Wells Fargo Bank was sending the monthly bank statements to the wrong address in 2018, and that she was unaware that monthly bank account reconciliations should be performed and documented on a monthly basis.

Recommendation

The Acequia's Treasurer should 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

Beginning with the bank statement for the month ending May 31, 2019, the current Board Treasurer will perform and document the bank account reconciliations before the end of the following month.

**Acequia de Tecolotito
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018**

Finding 2018-002. No Annual Budget or Quarterly Reports to DFA-LGD

Condition

The Acequia's Board of Commissioners did not prepare an annual budget for 2018 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 to DFA-LGD for 2018.

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 their annual revenues are \$10,000 or more.

Pursuant to Section 6-6-2.F NMSA 1978, the Acequia is required to submit quarterly financial reports to DFA-LGD if their annual revenues are \$10,000 or more.

Effect

The Acequia was operating without an approved budget for the fiscal year ending December 31, 2018. DFA-LGD is unable to perform its oversight function without the quarterly financial reports.

Cause

The Acequia's Treasurer stated that a budget analyst at DFA-LGD informed her that the Acequia wasn't required to submit an annual budget and quarterly reports to DFA-LGD since the Acequia's regular revenues for 2018 were less than \$10,000.

The Treasurer was unaware of the New Mexico Office of the State Auditor's requirement that 90/10 cost share grant revenues from the New Mexico Interstate Stream Commission should be included in total revenues for tier determination purposes.

Recommendation

The Acequia's Board of Commissioners should read Section 2.2.2.16 NMAC of State Audit Rule 2019 to understand the tier determination rules and annual reporting requirements.

For future fiscal years, if the Acequia estimates their annual revenues will be \$10,000 or more (excluding capital project appropriations from the State of New Mexico and federal grant revenues), the Acequia's Board of Commissioners should adopt and submit its annual

Acequia de Tecolotito
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018

budget for the next fiscal year to DFA-LGD by December 1, and submit quarterly 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

By August 1, 2019, the Board of Commissioners will read and discuss the tier determination rules and reporting requirements listed in Section 2.2.2.16 NMAC. Since the Acequia does not expect to receive or expend any 90/10 cost share grant funds from the NMISC in 2019, the Acequia will be in Tier 1 for the fiscal year ending December 31, 2019 and is not required to submit an annual budget and quarterly reports to DFA-LGD.

For future fiscal years, if the Acequia anticipates revenues to exceed \$10,000, the Board of Commissioners will submit an annual budget and quarterly reports to DFA-LGD as required by applicable state laws.

Acequia de Tecolotito
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending December 31, 2018

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Acequia Assessment	\$ -	\$ -	\$ 1,931	\$ 1,931
Special Assessment	-	-	1,598	1,598
Donations	-	-	1,184	1,184
90/10 Cost Share Grant - NMISC	-	-	49,923	49,923
90/10 Cost Share Loan - NMISC	-	-	5,557	5,557
Federal Grant - NMACD/NRCS	-	-	55,572	55,572
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,765</u>	<u>\$ 115,765</u>
Expenditures				
Mayordomo Wages	\$ -	\$ -	\$ 1,189	\$ (1,189)
Legal Fees	-	-	2,116	(2,116)
Labor	-	-	580	(580)
Watermaster Fee	-	-	105	(105)
Tools and Equipment	-	-	190	(190)
Office Supplies	-	-	64	(64)
Post Office Box Rental	-	-	27	(27)
Legal Ad for Bids	-	-	86	(86)
Acequia Restoration Project	-	-	111,052	(111,052)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,409</u>	<u>\$ (115,409)</u>

**Acequia de Tecolotito
Exit Conference
Fiscal Year Ended December 31, 2018**

On May 6, 2019, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Acequia de Tecolotito

Mary S. Baca, Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager