

# **East Puerto de Luna Acequia**

**Independent Accountant's Report  
on Applying Agreed Upon Procedures (TIER 3)**

**For the Year Ended December 31, 2016**



**Office of the State Auditor  
Brian S. Colón, Esq.**

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**State of New Mexico**  
**East Puerto de Luna Acequia**  
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**State of New Mexico  
East Puerto de Luna Acequia  
Official Roster  
December 31, 2016**

**Board of Commissioners**

<b><u>Name</u></b>	<b><u>Title</u></b>
Andy Madrid	Acequia Chairman
Randal Brown	Secretary/Treasurer
James Moncayo	Member



## State of New Mexico Office of the State Auditor

CONSTITUENT SERVICES  
(505) 476-3821

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Members of the Board of Commissioners  
East Puerto de Luna Acequia

We have performed the procedures enumerated below for the East Puerto de Luna Acequia (Acequia) for the year ended December 31, 2016, 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 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Acequia through the New Mexico Office of the State Auditor (OSA). The Acequia 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. **Procedure** - 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."

#### Results of Procedure 1

We reviewed and verified the Acequia's revenue calculation and tier determination. The Acequia's total revenue for year ended December 2016 totaled \$5,475 (excluding capital outlay grants). Based on this information, the Acequia was properly determined to be a Tier 3 entity for 2016 since their total revenues were less than \$50,000 and they expended more than 50% of the state capital outlay appropriation from the New Mexico Interstate Stream Commission (NMISC) during 2016.

#### 2. Capital Outlay and Procurement

Test all state-funded capital outlay expenditures.

- a. **Procedure** - 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.

#### **Results of Procedure 2a**

We determined amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoices, purchase orders, contracts as applicable. There was one project, 12-1395. We examined one disbursement which in total was \$58,765.

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

#### **Results of Procedure 2b**

We determined cash disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- c. **Procedure** - 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).

#### **Results of Procedure 2c**

We determined the bid process or request for proposal process, 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).

- d. **Procedure** - Determine the physical existence (by observation) of the capital asset based on expenditures to date.

#### **Results of Procedure 2d**

Given the recent health precautions, physical observation/contact has been limited during this time period in which the AUP's are being conducted, and alternative procedures are deemed sufficient. We determined the physical existence of the capital asset by photographs provided by the awarding agency, NMISC.

- e. **Procedure** - 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.

**Results of Procedure 2e**

We verified status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with accounting records and other supporting documents.

- 3. **Procedure** - 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.

**Results of Procedure 3**

The project was not funded in advance but on a reimbursement basis.

- 4. **Procedure** - 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 is completed. We determined the Acequia did not receive the unexpended balance of the project and a reversion was not required by the Acequia.

- 5. **Procedure** - 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.

**Results of Procedure 5**

Since the project was approved on a reimbursement basis, no separate fund or bank account was required.

- 6. **Procedure** - 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.

**Results of Procedure 6**

The request for payments were properly supported by costs incurred by the Acequia. See the Schedule of Capital Outlay Awards on Pg. 5 of this report. The invoices were not paid by the Acequia prior to the request for payment forms. The Acequia paid for the invoices after the grant checks were received from the NMISC in accordance with the terms of the agreement.

7. **Procedure** - 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.

### **Results of Procedure 7**

The Acequia was not in compliance with the reporting requirements as noted in Finding 2016-001. We did not note other instances of noncompliance or instances of fraud or illegal acts during the agreed upon procedures engagement.

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 Tier 3 agreed upon procedures. 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 of the Acequia, the OSA, the New Mexico Interstate Stream Commission, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Office of the State Auditor*

Office of the State Auditor  
Santa Fe, New Mexico  
June 23, 2020



**State of New Mexico**  
**East Puerto de Luna Acequia**  
**Exhibit 1 – Schedule of Capital Outlay Awards**  
**For the Year Ended December 31, 2016**

	<u><b>Note 1</b></u>
Amount awarded to Acequia	\$ 60,000
Amount received by Acequia	58,765
Amount expended by Acequia in prior years	-
Amount expended by Acequia in current year	<u>58,765</u>
Remaining balance	<u><u>\$ 1,235</u></u> *

\* The Acequia did not receive these funds, reversion of the remaining balance is the responsibility of agency that held the funds.

**Agreement Provisions**

**Note 1:** Fund 12-1395 Capital Outlay Appropriation Project to design and install piping and concrete ditch lining.

Legislative Authority: Laws of 2012, Chapter 64, Section 15, Paragraph 2

Legislative and Effective Dates: November 5, 2015

Agreement Termination / Reversion Date: June 30, 2016

**State of New Mexico  
East Puerto de Luna Acequia  
Schedule of Findings and Responses  
For the Year Ended December 31, 2016**

	<u>Finding Number</u>	<u>Type of Finding</u>
<b>Current Year Findings:</b>	2016-001	Late Financial Reporting

**Prior Year Findings:**  
None reported

**2016-001 – Late Financial Reporting**

**Condition:** The Acequia did not submit the 2016 agreed upon procedures (AUP) report to the OSA by the required due date of no later than five months after the fiscal year end.

**Criteria:** Section 2.2.2.16(H)(1) NMAC (Audit Rule) states that “Local public bodies with a fiscal year end other than June 30 shall submit the AUP report or certification no later than five months after the fiscal year-end.”

**Effect:** Noncompliance with the Audit Rule which could impact the Acequia’s ability to receive funding. Decision making bodies such as the New Mexico Interstate Stream Commission, the Office of the State Auditor, and the New Mexico Legislature did not have accurate information regarding the Association.

**Cause:** East Puerto de Luna Acequia did not submit a recommendation or contract for State Auditor approval until March 13, 2020 and, therefore, could not meet the reporting deadline. In addition, the Acequia did not have the funding available to complete the AUP and was unaware of the process to do so.

**Recommendation:** The Acequia should implement procedures to ensure the annual financial reporting requirements to the OSA are completed timely.

**Agency Response:** The East Puerto de Luna Acequia is in agreement that the timeline for the audit surpassed the deadline and agrees with the recommendation to submit all future agreed-upon procedures reports by the required deadline

**State of New Mexico**  
**East Puerto de Luna Acequia**  
**Exit Conference**  
**For the Year Ended December 31, 2016**

On June 23, 2020, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report.

Attendees

<u>Name</u>	<u>Title</u>
Andy Madrid	Chairman, East Puerto de Luna Acequia
Natalie Cordova, CPA	Deputy State Auditor
Lynette Kennard, CPA	Financial Division Director, OSA
Joe Cruz	Audit Supervisor, OSA
Chantal Montano	Staff Auditor, OSA