

East Puerto de Luna Acequia

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

For the Year Ended December 31, 2017



**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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For the Year Ended December 31, 2017

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**State of New Mexico
East Puerto de Luna Acequia
Official Roster
December 31, 2017**

Board of Commissioners

<u>Name</u>	<u>Title</u>
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, 2017, 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 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 31, 2017 totaled \$5,878 (excluding capital outlay grants). Based on this information, the Acequia was properly determined to be a Tier 3 entity for 2017 since their total revenues were less than \$50,000.

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 were two projects, 14-1793 and 15-0630. We examined all disbursements which in total were \$84,990.

- 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 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 AUPs 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.

Results of Procedure 4

The project is completed. Project Fund 14-1793 was fully expended. We determined the Acequia did not receive the unexpended balance of project Fund 15-0630 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 (I)(3)(C) NMAC.

Results of Procedure 7

The Acequia was not in compliance with the reporting requirements as noted in Finding 2016-001 (Repeated). 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, 2017

	Note 1	Note 2	Total
Amount awarded to Acequia	\$ 45,000	\$ 40,000	\$ 85,000
Amount received by Acequia	45,000	39,990	84,990
Amount expended by Acequia in prior years	-	-	-
Amount expended by Acequia in current year	45,000	39,990	84,990
Remaining balance	\$ -	\$ 10	\$ 10 *

*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 14-1793 Capital Appropriations Project for acequia improvements.

Legislative Authority: Laws of 2014, Chapter 66, Section 21, Paragraph 2

Legislative and Effective Dates: April 15, 2016

Agreement Termination / Reversion Date: June 30, 2018

Note 2: Fund 15-0630 Capital Appropriation Project to plan, design and construct improvements to the acequia.

Legislative Authority: Laws of 2015, Chapter 3, Section 27, Paragraph 1

Legislative and Effective Dates: January 14, 2016

Agreement Termination / Reversion Dates: June 30, 2019

**State of New Mexico
East Puerto de Luna Acequia
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Prior Year Finding	<u>Finding Number</u>	<u>Status</u>
Late Financial Reporting	2016-001	Repeated

2016-001 – Late Financial Reporting (Repeated)

Condition: The Acequia did not submit the 2017 agreed upon procedures (AUP) report to the OSA by the required due date of no later than five months after the fiscal year end. Management did not make progress in resolving the prior year finding because the agreed upon procedures for fiscal year end 2016 and 2017 were performed concurrently.

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, 2017

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, OSA
Lynette Kennard, CPA	Financial Audit Director, OSA
Joe Cruz	Audit Supervisor, OSA
Chantal Montano	Staff Auditor, OSA