



MACIAS, GUTIERREZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ESPANOLA, NEW MEXICO  
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**STATE OF NEW MEXICO**

**LA BAJADA COMMUNITY DITCH &  
MUTUAL DOMESTIC WATER ASSOCIATION**

Independent Accountants' Report on Applying  
Agreed-Upon Procedures (Tier 3)

Year Ended December 31, 2016

**STATE OF NEW MEXICO**

**LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC  
WATER ASSOCIATION**

**Independent Accountants' Report on Applying  
Agreed-Upon Procedures (Tier 3)**

**Year Ended December 31, 2016**

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**STATE OF NEW MEXICO  
LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**

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December 31, 2016**

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**STATE OF NEW MEXICO  
LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**

**Official Roster  
at December 31, 2016**

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<u>Name</u>	<u>Title</u>
<b><u>Commissioners</u></b>	
Alonzo S. Gallegos	President
Rozella Lopez	Vice-President
Dolores Baca	Treasurer
Evangeline J. Tinajero	Secretary
Darrin N. Muenzberg	Commissioner



Macias, Gutierrez  
& Co., P.C.

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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 3)**

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To: Alonzo S. Gallegos, President  
La Bajada Community Ditch & Mutual Domestic Water Association #13109  
and  
Wayne A. Johnson  
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the La Bajada Community Ditch & Mutual Domestic Water Association (LBCD&MDWA) and the Office of the State Auditor on the Tier Verification, the State-Funded Capital Outlay Expenditures and Reimbursements and Other (Items 1-7) for the year ended December 31, **2016**, included in the accompanying information provided to us by management of the LBCD&MDWA. The La Bajada Community Ditch & Mutual Domestic Water Association is responsible for the Tier Verification, the State Funded Capital Outlay Expenditures and Reimbursements and Other (Items 1-7) for the year ended December 31, 2016 included in the accompanying information provided to us by the management of the LBCD&MDWA. 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. The procedures and associated findings (Results of Procedures Performed) are as follows:

The Contractor shall request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for the capital outlay award funds expended by the recipient that meet Tier 3 criteria.

1. Before beginning the procedures below, the IPA must verify the local public body's revenue calculation and tier determination using the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

We verified the La Bajada Community Ditch & Mutual Domestic Water Association's revenue calculation and tier determination. The LBCD&MDWA's cash basis revenue was less than \$50,000 and expended at least 50% of, or the remainder of a capital outlay award which meets the criteria for **Tier 3 determination. The Association expended less than 50% at December 31, 2015 but had expended more than 50% through December 31, 2016 and the project appropriation expenditure period has expired.**

2. **The Contractor shall test all state-funded capital outlay expenditures to:**

### **Procedures**

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established 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 (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- 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.

**Results of Procedures Performed**

- a) We determined that 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 and cancelled check copies, as appropriate. For Project 12-1369, we examined five disbursements totaling \$44,839.51.
- b) We determined that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) We determined 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).
- d) We determined the physical existence by photographs of the capital asset based on expenditures to date.
- e) We verified that 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 documentation.

**3. Procedures**

If the project was funded in advance, the Contractor shall 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 Procedures Performed**

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

**4. Procedures**

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

**Results of Procedures Performed**

Project 12-1369 is complete and there is an unexpended balance of \$1,303.13 in agreement with the grantor. The LBCD&MDWA requested amounts totaling \$46,142.64 but expended only \$44,839.51. Since the expiration date of the legislation was June 30, 2016, the remaining unspent balance of \$1,303.13 should have reverted by the end of FY 2016 but has not yet been reverted as of May 11, 2018. (See Finding 2016-002, p. 5).

**5. Procedures**

The Contractor shall 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 agreement.

**Results of Procedures Performed**

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

**6. Procedures**

The Contractor shall determine whether reimbursement requests were properly supported by costs incurred by the recipient. The Contractor shall determine whether the costs were paid by the local public body prior to the request for reimbursement.

**Results of Procedures Performed**

We determined that reimbursement requests were properly supported and the LBCD&MDWA incurred costs prior to the submission of requests for funding from the New Mexico Environment Department. For Project 12-1369, we examined three reimbursement requests totaling \$46,142.64, which was \$3,857.36 less than the total capital outlay appropriation of \$50,000.00.

**7. Other Procedures**

If information comes to the Contractor’s attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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 Procedures Performed**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or any internal control deficiencies. However, see the Schedule of Findings and Responses for a noncompliance issue related to Late Report (See Finding 2016-001, p. 4).

\* \* \* \* \*

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 a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, State-Funded Capital Outlay Expenditures and Reimbursements or Other for the La Bajada Community Ditch & Mutual Domestic Water Association for the year ended December 31, 2016, included in the accompanying information provided to us by management of the La Bajada Community Ditch & Mutual Domestic Water Association. 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 La Bajada Community Ditch & Mutual Domestic Water Association, the New Mexico State Auditor’s Office, the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

*Macias, Gutierrez & Co., CPAs, P. C.*

Macias, Gutierrez & Co., CPAs, P. C.  
Española, New Mexico 87532  
May 11, 2018

**STATE OF NEW MEXICO**  
**LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**  
**Agreed-Upon Procedures (Tier 3)**  
**For the Year Ended December 31, 2016**

Exhibit A

<u>Capital Outlay Project No.</u>	<u>Pay Request</u>	<u>Amount Awarded</u>	<u>Amount Requested/ Received</u>	<u>Actual Amount Expended</u>	<u>Capital Outlay Remaining Balance</u>	<u>Unspent Remaining Balance</u>	<u>Actual Legislation</u>	<u>Effective Dates</u>
12-1369 STB		<u>\$ 50,000.00</u>						
	1		\$ 20,540.94	\$ 20,540.94	\$ 29,459.06		Laws of 2012, Chapter 64, Section 11, Paragraph 44, to plan, design, construct, purchase and improve the water storage tank and well for La Bajada community ditch and mutual domestic water association in Santa Fe county.	Through 6/30/2016
	2		4,503.15	4,503.15	24,955.91			
	3		<u>21,098.55</u>	<u>19,795.42</u>	<u>\$ 3,857.36</u>			
			<u>\$ 46,142.64</u>	<u>\$ 44,839.51</u>		<u>\$ 1,303.13</u>		



STATE OF NEW MEXICO  
 LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION  
 Agreed-Upon Procedures (Tier 3)  
 For the Year Ended December 31, 2016

Exhibit B

Grant No.	Pay Request	Request Date	Amount Awarded	Amount Requested/ Received	Date Received	Invoice Amount	Check Number	Check Date	Actual Amount Expended	Vendor Paid
13-1598			<u>\$ 50,000.00</u>							
STB										
	1	7/22/2015	2015	<u>\$ 20,540.94</u>	9/3/2015	<u>\$ 20,540.94</u>	1004	9/12/2015	<u>\$ 20,540.94</u>	Alonzo Gallegos
	2	6/17/2016		4,503.15	7/22/2016	4,503.15	1085	8/8/2016	4,503.15	Speakeasy Environmental Services
	3	6/17/2016		21,098.55	7/19/2016	1,991.01	1079	7/28/2016	1,991.01	HD Supply
						541.56	1083	12/21/2016	541.56	Paramount Surveys
						17,262.85	1081	12/21/2016	17,262.85	Souder Miller and Associates
			2016	<u>25,601.70</u>		<u>24,298.57</u>			<u>24,298.57</u>	
			Total	<u>\$ 46,142.64</u>		<u>\$ 44,839.51</u>			<u>\$ 44,839.51</u>	

**STATE OF NEW MEXICO  
LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2016**

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	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Late Report	D	N/A	2016-001
Capital Outlay Appropriation unexpended balance was not reverted on a timely basis	D	N/A	2016-002
<b>Follow-up on Prior Year Findings:</b>			
None	N/A	N/A	N/A

An agreed-upon procedures engagement was not required for the year ended December 31, 2015

**\* Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO  
LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2016**

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**2016-001**

**Late Report (Noncompliance)**

**Criteria**

Office of the State Auditor, Rule 2016, Section 2.2.2.16.G, states that local public bodies with other than a June 30 fiscal year-end must submit the agreed-upon procedures (AUP) report no later than five months after fiscal-year end.

**Condition**

The La Bajada Community Ditch & Mutual Domestic Water Association (LBCD&MDWA) has a December 31 year end but the agreed-upon procedures report for the year ended December 31, 2016 was submitted more than five months after fiscal-year end.

**Cause**

La Bajada Community Ditch & MDWA was not aware of the requirements and did not submit the recommendation or contract form to the State Auditor on a timely basis. The IPA recommendation was recently approved and contract signed in late April 2018.

**Effect**

The La Bajada Community Ditch & Mutual Domestic Water Association has not complied with Office of the State Auditor, Rule 2016, Section 2.2.2.16.G.

**Recommendation**

We recommend that, in the future, the La Bajada Community Ditch & Mutual Domestic Water Association complete the recommendation and contract forms and submit all agreed-upon procedures reports by the required deadlines.

**Entity Response**

“At the time of the expenditures from our grant, we did not correctly understand the requirements for reporting and our classification as a Tier 3 organization. We are now aware of the financial classifications of the State Auditor and the required procedures. The President and Treasurer will immediately insure that all future agreed-upon procedures recommendation forms, contracts and reports will be completed by the due dates.”

**STATE OF NEW MEXICO  
LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2016**

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**2016-002**

**Capital Outlay Appropriation Unexpended Balance was not Reverted on a Timely Basis  
(Noncompliance)**

**Criteria**

Any unexpended balance from Laws of 2012, Chapter 64, Section 11, Paragraph 44, to plan, design, construct, purchase and improve the water storage tank and well for La Bajada community ditch and mutual domestic water association in Santa Fe county shall revert within six months of completion of the project but no later than the end of fiscal year 2016.

**Condition**

The La Bajada Community Ditch & Mutual Domestic Water Association (LBCD&MDWA) had an unexpended balance of \$1,303.13 but has not reverted the funds as May 11, 2018.

**Cause**

La Bajada Community Ditch & MDWA was not aware of the requirements to revert the unexpended balance by the end of fiscal year 2016.

**Effect**

The La Bajada Community Ditch & Mutual Domestic Water Association has not complied with the Laws of 2012, Chapter 64, Section 11, Paragraph 44.

**Recommendation**

We recommend that, the La Bajada Community Ditch & MDWA immediately revert the unexpended balance of \$1,303.13 from Laws of 2012, Chapter 64, Section 11, Paragraph 44. We further recommend that the LBCD&MDWA revert any future Capital Outlay unexpended appropriations by the required date.

**Entity Response**

“Our organization was not sure if the small balance left in our account at the end of fiscal year 2016 would need to be returned as our capital project was not quite finished and the remainder amount was not sufficient to begin another task. As soon as we were made aware during our agreed-upon procedures (AUP) engagement that the balance of \$1,303.13 must be returned, we made plans to do so. A check for \$1,303.13 was hand delivered by our treasurer to the NM Environment Department on May 24, 2018.

As we have noted in earlier responses there was no intent on our part to be in non-compliance in terms of reporting or AUP requirements for this capital outlay grant. In the future, our Board of Directors will assure that all requirements are met. We are now aware and better versed in deadline, reporting and AUP requirements.”

**STATE OF NEW MEXICO  
LA BAJADA COMMUNITY DITCH & MUTUAL DOMESTIC WATER ASSOCIATION**

**Exit Conference  
Year Ended December 31, 2016**

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**EXIT CONFERENCE**

The report contents were discussed at a telephonic exit conference held on May 21, 2018 with the following:

La Bajada Community Ditch & Mutual Domestic Water Association

By telephone:

Dolores Baca, Treasurer  
Evangeline J. Tinajero, Secretary

Accounting Firm

James R. (Jim) Macias, CPA