



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
TIERRA AMARILLA, NEW MEXICO

STATE OF NEW MEXICO

**LA MESILLA COMMUNITY DITCH
ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 4)

Year Ended December 31, 2018

STATE OF NEW MEXICO

LA MESILLA COMMUNITY DITCH ASSOCIATION

**Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 4)**

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**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

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**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

**Official Roster
at December 31, 2018**

<u>Name</u>		<u>Title</u>
<u>Commissioners</u>		
Roberto Romero		Chairman
Kimberly Martin		Secretary
Rodger Liljestrand		Treasurer
<u>Staff</u>		
Steve Montoya		Mayordomo



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 4)

To: Roberto Romero, Chairman
La Mesilla Community Ditch Association #13115
and
Brian S. Colón, Esq.
New Mexico State Auditor

We have performed the Tier 4 procedures enumerated below, which were agreed to by La Mesilla Community Ditch Association (LMCDA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of LMCDA. La Mesilla Community Ditch Association is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of LMCDA. The sufficiency of these procedures is solely the responsibility of those 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 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."

We verified LMCDA's revenue calculation and tier determination. La Mesilla Community Ditch Association's cash basis revenue, \$115,741, was between the **Tier 4** lower and upper limits.

2. Cash

Procedures

- 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.
- 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 the Department of Finance and Administration, Local Government Division (DFA-LGD).
- 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.

Results of Procedures Performed

- a) LMCDA has one checking account and utilizes excel spreadsheets to record cash transactions. The sample of tested bank reconciliations (33%) showed they are performed on a timely basis and all bank statements were complete and on-hand for the entire year.
- b) Random tests of four-month end bank reconciliations (33%) revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. However, we did not trace ending balances to financial reports since, currently, there is no DFA-LGD required cash balance reporting format.
- c) Cumulative single-bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on any uninsured deposits at any time during the year.

3. Capital Assets

Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results of Procedures Performed

LMCDA maintains a capital asset listing and performed a yearly inventory as required by Section 12-6-10 NMSA, 1978.

4. Revenue

Procedures

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.

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.
- 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.

Results of Procedures Performed

- a) The analytical review to test actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) We requested supporting documentation for ten (10) deposits (44% of total revenues) from a total of 53 deposits for the year. For the sample selected, amounts recorded on the excel spreadsheets agreed with deposit tickets, other supporting documentation provided and the bank statements, with no exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation, without exception.

5. Expenditures

Procedures

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 the vendor's invoice, purchase order, contract and check clearing amount (cancelled checks not returned), 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).

Results of Procedures Performed

- a) We requested supporting documentation for 17 disbursements (79% of total expenditures) from a total of 66 disbursements for the year. For the sample selected, except as noted below, amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate. However, one payment totaling \$350.00 was made without a supporting invoice and one other invoice totaling \$51.53 was not available for inspection. See Finding 18-001 (internal control deficiency) on page 3.
- b) Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) The bid process, 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).

6. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

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

Results of Procedures Performed

The LMCDA utilizes excel spreadsheets to record cash transactions only so there are no journal entries posted to a general ledger.

7. Budget

Procedures

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.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- 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.

Results of Procedures Performed

- a) A review of Commission meeting minutes and related correspondence revealed that a 2018 budget was governing body approved and submitted to DFA-LGD for approval. No subsequent 2018 budget adjustments were made.
- b) On Exhibit A, included herein, total actual expenses exceeded the final budget by \$87,055 at the total fund level, the legal level of budgetary control. See Finding 18-003 (noncompliance) on page 5.
- c) The Office of the State Engineer, Interstate Stream Commission (ISC) approved a 90/10, grant/local match funding project that was entirely funded and completed during the second quarter of 2018. However, quarterly financial reports were not submitted to DFA-LGD during the year because LMCDA incorrectly believed that the funding was a State Capital Outlay appropriation which is a Tier 3 determination that does not require quarterly financial reports.

Therefore, LMCDA did not prepare or submit to DFA-LGD a Profit and Loss Budget vs. Actual for the second or third quarters or for the year ended December 31, 2018. See Finding 18-002 (noncompliance) on page 4. A schedule of revenues and expenses – budget and actual was prepared from LMCDA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

8. Other

Procedures

If information comes to the IPA'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 or illegal acts. However, see the attached Schedule of Findings and Responses, pages 3 to 5, for noncompliance issues and an internal control deficiency.

* * * * *

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, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of La Mesilla Community Ditch Association as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of LMCDA. 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 La Mesilla Community Ditch Association, the New Mexico State Auditor's Office and 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.
Tierra Amarilla, New Mexico 87575
January 23, 2019

STATE OF NEW MEXICO
 LA MESILLA COMMUNITY DITCH ASSOCIATION
 Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
 Year Ended December 31, 2018

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Membership Dues	\$ 30,000	\$ 30,000	\$ 27,208	\$ (2,792)
Water Rights Transfer	-	-	300	300
State of New Mexico Grant	-	-	77,233	77,233
Rio Arriba County	-	-	5,000	5,000
East Rio Arriba Soil and Water Cons. District	-	-	6,000	6,000
	<u>30,000</u>	<u>30,000</u>	<u>115,741</u>	<u>85,741</u>
Total revenues	30,000	30,000	115,741	85,741
Cash balance budgeted	<u>6,473</u>	<u>6,473</u>	<u>6,473</u>	-
Total revenues and cash balance budgeted	<u>36,473</u>	<u>36,473</u>	<u>122,214</u>	<u>85,741</u>
Expenses:				
Spring Ditch Cleaning Activities	5,000	5,000	5,490	(490)
Mayordomo fees	13,000	13,000	15,300	(2,300)
Commissioner Stipend	2,500	2,500	2,250	250
Cell phone	500	500	398	102
Gabion Project	-	-	85,814	(85,814)
Gasoline	-	-	684	(684)
Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>1,619</u>	<u>1,881</u>
	<u>24,500</u>	<u>24,500</u>	<u>111,555</u>	<u>(87,055)</u>
Total expenses	24,500	24,500	111,555	(87,055)
Excess revenues over (under) expenses	<u>\$ 11,973</u>	<u>\$ 11,973</u>	<u>\$ 10,659</u>	<u>\$ (1,314)</u>

**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Payments made without supporting invoice	C	N/A	2018-001
Quarterly Financial Reports	D	N/A	2018-002
Approved Budget Overexpended	D	N/A	2018-003
Follow-up on Prior Year Findings:			
None Reported	N/A	N/A	N/A

An agreed-upon procedures report was not required for the year ended 12/31/17

*** Legend for Findings:**

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

**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

2018-001

Payments Made Without Supporting Invoice (Internal Control Deficiency)

Criteria

Good internal accounting control requires that all disbursements have supporting documentation, such as the approved vendor's invoice. Also, the supporting documentation should be maintained in the entity's files and be readily available for inspection, as necessary.

Condition

During the performance of the agreed-upon procedures, we noted that La Mesilla Community Ditch Association made two payments, out of a total of 17 tested, totaling \$401.53 without the proper supporting documentation, an invoice. One invoice appeared to be lost and the other was not requested prior to payment.

Cause

La Mesilla Community Ditch Association failed to securely file or request invoices prior to issuing the checks.

Effect

The lack of appropriate supporting documentation and approvals for expenses could create the possibility of errors, irregularities or duplicate payments.

Recommendation

We recommend that La Mesilla Community Ditch Association enforce policies and procedures to insure a vendor's invoice is securely filed or presented and approved, prior to a payment being made.

Entity Response

"The Treasurer of LMCDA will immediately begin to enforce policies and procedures to insure a vendor's invoice is securely filed or presented and approved, prior to a payment being made."

**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

2018-002

Quarterly Financial Reports (Noncompliance)

Criteria

Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD (DFA/Local Government Division Budgeting and Reporting Guidelines for Special Districts).

Condition

La Mesilla Community Ditch Association (LMCDA) did not prepare or submit to DFA-LGD a Profit and Loss Budget vs. Actual for the second or third quarters or for the year ended December 31, 2018.

Cause

The Office of the State Engineer, Interstate Stream Commission (ISC) approved a 90/10, grant/local match funding project for LMCDA that was entirely funded and completed during the second quarter of 2018. However, quarterly financial reports were not submitted to DFA-LGD during the year because LMCDA incorrectly believed that the ISC funding was a State Capital Outlay appropriation which is a Tier 3 determination that does not require quarterly financial reports.

Effect

The LMCDA has not complied with Section 6-6-3 NMSA 1978 and related reporting guidelines.

Recommendation

We recommend that, if required in the future, LMCDA submit required quarterly financial reports, including the budget to actual revenue and expenditure report.

Entity Response

“The Treasurer of LMCDA will, if required in the future, submit required quarterly financial reports, including the budget to actual revenue and expenditure report.”

**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

2018-003

Approved Budget Overexpended (Noncompliance)

Criteria

Section 6-6-6 NMSA 1978 states that when any budget for a local public body has been approved, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.

Condition

Total actual expenditures exceeded the total budgeted expenditures by \$87,055 for the year ended December 31, 2018.

Cause

LMCDA did not amend (increase) their budgeted revenue and expenditures for the Office of the State Engineer, Interstate Stream Commission (ISC) funding.

Effect

LMCDA has not complied with Section 6-6-6 NMSA 1978.

Recommendation

We recommend that, if required in the future, LMCDA make appropriate budget adjustments to ensure that total actual expenditures do not exceed total budgeted expenditures.

Entity Response

"The Treasurer of LMCDA will, if required in the future, make appropriate budget adjustments to ensure that total actual expenditures do not exceed total budgeted expenditures."

**STATE OF NEW MEXICO
LA MESILLA COMMUNITY DITCH ASSOCIATION**

**Exit Conference
Year Ended December 31, 2018**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held on January 23, 2019 with the following in attendance:

La Mesilla Community Ditch Association

By telephone:

Rodger Liljestrang, Treasurer

Accounting Firm

James R. (Jim) Macias, CPA