

**STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS**

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

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

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Certified Public Accountant

**STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
DECEMBER 31, 2016**

Table of Contents

	Page
Official Roster	1
Independent Accountants' Report on Applying Agreed-Upon Procedures	2-6
Schedule of Revenues and Expenditures – Budget and Actual	Not Available
Year-end Report Submitted to DFA	Not Available
Schedule of Findings and Responses	7-11
Status of Prior Year Findings	12
Exit Conference	13

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
OFFICIAL ROSTER
DECEMBER 31, 2016

Board of Commissioners

<u>Name</u>	<u>Title</u>
Bert Delara	President
Kevin Fowler	Commissioner
Larry Randle	Commissioner

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To: Board of Directors
Las Acequias de Placitas
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by State of New Mexico Las Acequias de Placitas and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating Las Acequias de Placitas' financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2016. Las Acequias de Placitas is responsible for its financial reporting and compliance as described above. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. REVENUE DETERMINATION

Procedures

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 Procedures

Revenue was \$69,255, and there were no state capital outlay expenditures. The audit rule requires Tier 4 agreed-upon procedures for Las Acequias de Placitas.

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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the organization.

b) Test at least 30% of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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

11 of 12 operating account bank reconciliations, and 11 of 12 savings account reconciliations were not completed timely. All reconciliations were prepared and all bank statements were on-hand. All 12 reconciliations were not accurate because there were \$1,486 in outstanding checks from 2009 and 2010 and a \$5,500 outstanding deposit from 2012 still on the books. See finding 2014-002 in the accompanying schedule of findings and responses. Las Acequias de Placitas did not submit any reports to DFA-LGD. See finding 2014-003 in the accompanying schedule of findings and responses. Pledged collateral was not required.

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

Las Acequias de Placitas did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978. See finding 2014-004 in the accompanying schedule of findings and responses.

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

Revenue was analytically tested with no exceptions. A sample of 11 cash receipts were tested. All deposits were agreed to billing reports and the general ledger 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 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).

Results of Procedures

40 disbursements were tested. Invoices were matched to all disbursements with no exceptions. There was no policy for approvals and approvals were not documented. See finding 2014-005 in the accompanying schedule of findings and responses. Procurement was not required for any of the general disbursements tested, and there were no disbursements subject to the Per Diem and Mileage Act.

6. JOURNAL ENTRIES

Procedures

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger 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

100% of the journal entries were tested. All entries were reasonable and had supporting documentation. Las Acequias de Placitas has no policy for approving journal entries and none of the journal entries tested were approved. See finding 2014-005 in the accompanying schedule of findings and responses.

7. BUDGET

Procedures

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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 the answer is yes, 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

Las Acequias de Placitas did not prepare a budget. See finding 2014-006 in the accompanying schedule of findings and responses.

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, 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 Procedures

Las Acequias de Placitas did not complete an auditor recommendation or submit their annual agreed-upon procedures report to the Office of the State Auditor by the statutory deadlines. See finding 2014-001 in the accompanying schedule of findings and responses.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on Las Acequias de Placitas' financial reporting and compliance as described above. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of State of New Mexico Las Acequias de Placitas, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
August 29, 2017

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Current Year Findings

2014-001 – Late Audit Report and Recommendation (Significant Deficiency, Noncompliance)

Condition: Las Acequias de Placitas did not submit their 2016 agreed-upon procedures report to the Office of the State Auditor by the required due date of May 31, 2017. In addition, the auditor recommendation for 2016 was not submitted to the State Auditor until June 2017. The 2014 and 2015 reports were submitted to the Office of the State Auditor at the same time in March 2017, and they were released in May 2017, therefore the agency did not make any progress towards correcting the 2014 finding in 2016.

Criteria: 2.2.2 NMAC (State Audit Rule) requires submission of auditor recommendations at least 30 days prior to year-end, or by December 1, 2016. 2.2.2 NMAC also requires submission of audit reports within five months after year-end, or May 31, 2017.

Cause: Las Acequias de Placitas did not recommend and contract with an audit firm until June 2017.

Effect: Las Acequias de Placitas was not in compliance with the State Audit Rule, which could impact its ability to receive grants from federal and state sources.

Recommendation: Las Acequias de Placitas should prepare the annual auditor recommendation by December 1 of each year and submit it to the Office of the State Auditor. Las Acequias de Placitas should also institute policies and procedures that will enable it to complete their annual audit within five months after year-end.

Agency's Response: The Board of Commissioners designated a commissioner and implemented a policy to comply with the Audit Rule in June 2017.

2014-002 - Bank Reconciliations Not Timely or Accurate (Significant Deficiency)

Condition: 11 of 12 operating account bank reconciliations, and 11 of 12 savings account reconciliations were not completed timely. The operating account reconciliation was inaccurate and contained outstanding checks and deposits that were from many years earlier. The 2014 and 2015 reports were submitted to the Office of the State Auditor at the same time in March 2017, and they were released in May 2017, therefore the agency did not make any progress towards correcting the 2014 finding in 2016.

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Current Year Findings – continued

2014-002 - Bank Reconciliations Not Timely or Accurate (Significant Deficiency) - continued

Criteria: Internal control and proper stewardship requires timely and accurate bank reconciliations each month.

Cause: Las Acequias de Placitas did not have a policy to complete the reconciliations timely. Outstanding checks and deposits were not cleared from the reconciliation properly.

Effect: If cash is not reconciled accurately and reported in a timely manner, it may be difficult to properly safeguard Las Acequias de Placitas's assets. Errors may go undetected until it is too late to correct.

Recommendation: I recommend Las Acequias de Placitas implement policies and procedures that require timely and accurate completion of the bank reconciliation each month. The procedures should provide for proper review and approval of the reconciliation by a person independent of the accounting function.

Agency's Response: The Board of Commissioners implemented a policy and designated a commissioner to require timely and accurate bank reconciliations in June 2017.

2014-003 – DFA Reporting (Noncompliance)

Condition: Las Acequias de Placitas did not submit a budget to the New Mexico Department of Finance & Administration (DFA) – Local Government Division for certification. As a local public body, Las Acequias de Placitas is also required to transmit operating results quarterly to DFA, which were not submitted. The 2014 and 2015 reports were submitted to the Office of the State Auditor at the same time in March 2017, and they were released in May 2017, therefore the agency did not make any progress towards correcting the 2014 finding in 2016.

Criteria: Section 6-6-2 NMSA 1978 requires all local public bodies to submit their operating budget annually to DFA Local Government Division for certification. DFA also requires quarterly reporting by all agencies on prescribed forms.

Cause: Las Acequias de Placitas was not aware of the reporting requirements imposed by statute and DFA.

Effect: DFA – Local Government Division lacked the necessary information to perform their oversight duties required by state statute.

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Current Year Findings - continued

2014-003 – DFA Reporting (Noncompliance) - continued

Recommendation: I recommend Las Acequias de Placitas establish contact with their DFA budget analyst to determine what reports are required and whether retroactive reporting will be required. Las Acequias de Placitas should also institute policies to ensure compliance with all reporting requirements imposed by DFA and state statute.

Agency's Response: The Board of Commissioners designated a commissioner to implement a policy to comply with DFA in June 2017.

2014-004 - Capital Asset Inventory Not Completed (Significant Deficiency, Noncompliance)

Condition: Las Acequias de Placitas did not perform an inventory of capital assets for the year ended December 31, 2016. The 2014 and 2015 reports were submitted to the Office of the State Auditor at the same time in March 2017, and they were released in May 2017, therefore the agency did not make any progress towards correcting the 2014 finding in 2016.

Criteria: Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

Cause: Las Acequias de Placitas was not aware of this statutory requirement.

Effect: Lack of an annual inventory of capital assets may prevent Las Acequias de Placitas from properly safeguarding their assets. Timely replacement of unusable or obsolete assets may be prevented, which could affect the overall operation of the water delivery system.

Recommendation: Las Acequias de Placitas should complete an inventory of their capital assets annually, on or near year-end. The inventory should include all intangible assets, equipment and infrastructure owned by Las Acequias de Placitas, and it should be certified by management in accordance with state statute.

Agency's Response: The Board of Commissioners designated a commissioner to implement a policy to comply with state statute in June 2017.

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Current Year Findings - continued

2014-005 Lack of Approvals for Operating Disbursements and Journal Entries (Significant Deficiency)

Condition: 40 out of 40 operating disbursements tested had no documented approval. 4 of 4 general journal entries tested had no documented approval. Las Acequias de Placitas does not have a written policy for approving transactions. The 2014 and 2015 reports were submitted to the Office of the State Auditor at the same time in March 2017, and they were released in May 2017, therefore the agency did not make any progress towards correcting the 2014 finding in 2016.

Criteria: Proper internal controls dictate that a disbursement should only be made once the invoice is received and applicable authorizations are complete. These steps should be documented and the paperwork retained. Section 12-6-3 B(6) NMSA 1978 requires the independent public accountant to determine whether the local public body has procedures in place that requires journal entries to be reviewed, and that evidence of the review is documented.

Cause: Las Acequias de Placitas does not have a policy for approving disbursements or journal entries.

Effect: Transactions may occur that are not properly approved. Las Acequias de Placitas may be subject to fraud waste or abuse by not properly authorizing and retaining documentation for every transaction.

Recommendation: Las Acequias de Placitas should adopt a policy that outlines procedures for the authorization, documentation and retention of all transactions, including cash disbursements and journal entries.

Agency's Response: The Board of Commissioners designated a commissioner to implement a policy to approve disbursements in June 2017.

2014-006 – Budget Noncompliance (Significant Deficiency, Noncompliance)

Condition: Las Acequias de Placitas did not prepare a budget for the current fiscal year. The 2014 and 2015 reports were submitted to the Office of the State Auditor at the same time in March 2017, and they were released in May 2017, therefore the agency did not make any progress towards correcting the 2014 finding in 2016.

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Current Year Findings - continued

2014-006 – Budget Noncompliance (Significant Deficiency, Noncompliance)

Criteria: Section 6-6-2 NMSA 1978 requires all local public bodies to prepare, approve and submit their operating budget annually to DFA for certification.

Cause: Las Acequias de Placitas did not have a policy in place to prepare a budget, therefore a budget was not submitted to DFA for certification.

Effect: By not authorizing and obtaining DFA certification for their annual budget, unauthorized expenditures may occur and not be detected.

Recommendation: Las Acequias de Placitas should implement a policy for budget preparation that includes the timeframe for preparing, approving and submitting the budget to DFA, and the person(s) responsible for preparing the budget. The policy should include ongoing review of budget to actual expenses to control expenses and determine whether budget amendments are required.

Agency's Response: The Board of Commissioners designated a commissioner to implement a policy to comply with DFA in June 2017.

STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2016

Prior Year Findings

Current Status

2014-001 – Late Audit Report and Recommendation	Repeated and modified
2014-002 - Bank Reconciliations Not Timely or Accurate	Repeated and modified
2014-003 – DFA Reporting	Repeated and modified
2014-004 - Capital Asset Inventory Not Completed	Repeated and modified
2014-005 - Lack of Approvals for Operating Disbursements and Journal Entries	Repeated and modified
2014-006 – Budget Noncompliance	Repeated and modified

**STATE OF NEW MEXICO
LAS ACEQUIAS DE PLACITAS
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2016**

The report contents were discussed at an exit conference held on August 30, 2017 with the following in attendance:

Las Acequias de Placitas

Kevin Fowler	Commissioner
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James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
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