

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Los Trigos Ditch Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended June 30, 2017

**Los Trigos Ditch Association
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Fiscal Year Ending June 30, 2017**

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**Los Trigos Ditch Association
Official Roster
Fiscal Year Ending June 30, 2017**

Board of Commissioners

Leroy G. Vigil, President

Richard Griego, Vice President

Daniel Garcia, Jr., Secretary/Treasurer

Administrative Staff

Joe Chavez, Mayordomo

Independent Accountant's Report on Applying Agreed-Upon Procedures

Leroy G. Vigil, President
Los Trigos Ditch Association
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Los Trigos Ditch Association (Association) for the year ended June 30, 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, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's 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. 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."

Based on the Associations's general ledger, total revenues for the fiscal year ending June 30, 2017 were \$920 excluding two capital outlay grants from the New Mexico Interstate Stream Commission. Based on this information, the Association was properly determined to be a Tier 3 entity for FY17 since their total revenues were less than \$50,000 and they expended the remaining balance of one capital outlay grant and at least 50% of another capital outlay grant during FY17.

2. Perform the following tests on all state-funded capital outlay expenditures:
 - a. 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.

All of the cash disbursements for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

The Association advertised, obtained bids and entered into a contract with a construction company to perform the project work in accordance with applicable state laws and regulations.

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

The completed project work was observed on August 25, 2017. The project work agreed with the construction contract and invoices.

- e. Verify that status reports were submitted to the state agency charged with oversight per terms of agreement and verify that the amounts in the status report agree with the general ledger and other supporting documentation.

The Association provided evidence showing that periodic status reports were submitted to the New Mexico Interstate Stream Commission (NMISC). The information in the status reports agreed with the general ledger and the project documentation.

- 3. 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.

The project was not funded in advance. After work was completed by the contractor, the Association submitted Request for Reimbursement forms to the NMISC along with the contractor's invoices and other supporting documentation.

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

As of June 30, 2017, the project was completed. The \$45,000 capital outlay appropriation (CIP 14-1804) was fully expended by the Association. The 90/10 cost-

share grant of \$45,322 was not fully expended by the Association and the remaining balance of \$3,626 reverted to the NMISC on June 30, 2017.

5. 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.

The grant amounts received from NMISC were deposited in the Association's checking account at the State Employees Credit Union in Santa Fe, NM. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

6. 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.

The Association filed four Request for Reimbursement forms totaling \$86,695.46 with the NMISC for their share of the project expenditures. The requests were supported by invoices from the contractor for the project work. The project costs were not paid by the Association prior to the requests for reimbursement because the Association did not have the necessary funds. The Association paid for the project costs after the checks were received from NMISC.

7. 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 all required content detailed in Section 2.2.2.10 (L) NMAC.

The agreed-upon procedures were performed before the contract was approved by the NM Office of the State Auditor. See Finding 2017-001 on p. 5.

8. The agreed-upon procedures report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation for which there were expenditures during the fiscal year that meet the Tier 3 criteria.

See the Schedule of Capital Outlay Awards on p. 6 of this report.

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 subject matter. 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 and others with the Association, the NM State Auditor, NM Department of Finance and Administration – Local Government Division, NM Interstate Stream Commission and the NM State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

August 25, 2017

**Los Trigos Ditch Association
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2017**

Status of Prior Year Findings

Not applicable.

Current Year Findings

Finding 2017-001. Performance of Agreed-Upon Procedures Before Contract Approval

Condition

The agreed-upon procedures contract between the Los Trigos Ditch Association (Association) and Accounting & Auditing Services, LLC (AAS) was signed and dated by both parties on August 10, 2017.

The agreed-upon procedures were completed by AAS and a draft of the report was submitted to the NM Office of the State Auditor on August 25, 2017.

The OSA approved the agreed-upon procedures contract on November 8, 2017.

The OSA sent AAS and the Association the "OK to Print" notification on January 18, 2018 informing AAS to include this compliance finding in the agreed-upon procedures report.

Criteria

State Audit Rule 2017, Section 2.2.2.8.F (6) NMAC, requires the Association to enter and submit the contract information through OSA's online contracting system called OSA-Connect which is then reviewed by the OSA for rejection or approval. After the contract is approved by the OSA, the rule requires the Association to print and sign the contract and email it to the OSA.

Effect

If the OSA had disapproved the contract with AAS, the Association would have had to hire another CPA firm to re-perform the agreed-upon procedures.

Cause

The Treasurer of the Association had difficulties transmitting the FY17 contract information through the OSA-Connect system since the Treasurer had never used OSA's online contracting system and the Association is located in a rural area with poor internet

**Los Trigos Ditch Association
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2017**

service. After the Treasurer of the Association submitted the contract information through the OSA-Connect system, the OSA rejected the contract since certain information was entered incorrectly by the Treasurer of the Association. The Treasurer then informed AAS that he resubmitted the required contract information to the OSA. AAS was under the impression that the contract would be approved by the OSA shortly thereafter. To promote the timely issuance of the report to the OSA, the Association and the public, AAS completed the agreed-upon procedures and submitted the draft report to the OSA on August 25, 2017. The OSA then informed the Association and AAS that they were delaying the approval of the FY17 contract because the Association had not submitted the required FY16 tier determination form to the OSA. The Association then took several weeks to submit the FY16 tier determination form to the OSA. The OSA finally approved the contract on November 8, 2017.

Recommendation

The Treasurer of the Association should not print the contract from the OSA-Connect system and sign it until the contract approval letter has been received from the OSA. The Treasurer of the Association should not allow a CPA firm to perform the agreed-upon procedures until the contract approval letter has been received from the OSA.

Management's Response

Effectively immediately, if the Association needs to have agreed-upon procedures performed for future fiscal years, the Treasurer of the Association will not print and sign the contract until the contract approval letter has been received from the OSA, and will not allow a CPA firm to perform the agreed-upon procedures until the contract approval letter has been received from the OSA.

**Los Trigos Ditch Association
Schedule of Capital Outlay Awards
For the Fiscal Year Ending June 30, 2017**

	1	2
Amount Awarded for Project	\$ 45,321.54	\$ 45,000.00
Amount Received and Expended in FY17	(41,695.46)	(45,000.00)
Remaining Balance	\$ 3,626.08	\$ -

Agreement Provisions

1 - Grant Agreement Between the New Mexico Interstate Stream Commission and the Los Trigos Ditch Association - 90/10 Acequia Rehabilitation Cost Share Grant Agreement

Legislative Authority: NM Laws of 2016, Chapter 11, p. 84, Lines 9-22
 Date of Agreement: September 6, 2016
 Project Description: To construction of a flume and related improvements for the Los Trigos Ditch in San Miguel County.
 Estimated Project Cost: \$95,357.27
 State Grant Amount: \$45,321.54
 Los Trigos Ditch Association Contribution Amount: \$5,035.73
 Agreement termination/reversion date: June 30, 2017

2 - Grant Agreement Between the New Mexico Interstate Stream Commission and the Los Trigos Ditch Association - Fund 14-1804 Capital Appropriation Project

Legislative Authority: NM Laws of 2014, Chapter 66, Section 21, Paragraph 13
 Date of Agreement: September 17, 2014
 Project Description: To plan, design and construct improvements to Los Trigos Ditch in San Miguel County.
 Estimated Project Cost: \$95,357.27
 State Grant Amount: \$45,000
 Agreement termination/reversion date: June 30, 2018

**Los Trigos Ditch Association
Exit Conference
Fiscal Year Ended June 30, 2017**

On August 25, 2017, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Los Trigos Ditch Association

Daniel Garcia, Jr., Secretary/Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager