

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**La Acequia del Llano**

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Fiscal Year Ending June 30, 2017**

**La Acequia del Llano  
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Fiscal Year Ending June 30, 2017**

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**La Acequia del Llano  
Official Roster  
Fiscal Year Ending June 30, 2017**

**Board of Commissioners**

Matt Romero, President

Cedar Koons, Treasurer

Donald Atencio, Secretary

**Ditch Rider**

Jeremy Martin, Independent Contractor

**Acequia Personnel**

None

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Matt Romero, President  
La Acequia del Llano  
and  
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the La Acequia del Llano (Acequia) for the year ending 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 Acequia through the New Mexico Office of the State Auditor. The Acequia'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](http://www.osanm.org) under "Tiered System Reporting Main Page."

Based on a review of the Acequia's general ledger, total revenues for the fiscal year ending June 30, 2017 were \$13,033 (excluding capital outlay grant receipts of \$13,452). Based on this information, the Acequia 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 a capital outlay grant during the fiscal year. However, based on the results of these agreed-upon procedures, the Acequia was also in Tier 3 for the fiscal year ending June 30, 2016 but did not hire a CPA firm to perform the procedures for FY16. See Finding 2017-001 on p. 4. Prior to the approval and release of this FY17 report by the NM Office of the State Auditor, the Acequia hired this firm to perform the Tier 3 agreed-upon procedures for the fiscal year ending June 30, 2016. The FY16 agreed-upon procedures report dated October 10, 2017 was released by the NM Office of the State Auditor on January 11, 2018.

2. Test all state funded capital outlay appropriations:
  - 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 grant project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the contractor's invoice, contract, canceled check and purchase order form.

- 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 project budget, legal requirements and the Acequia's procurement 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).

Request for proposals or invitation for bids were not required for the project work. The Acequia obtained quotes for the purchase of materials and the construction work for the project in accordance with the New Mexico Procurement Code.

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

The completed project work at the Acequia was observed on August 4, 2017. The work done was consistent with the invoices from the vendors and the contractor. Nothing unusual was noted.

- 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.

The Acequia submitted periodic status reports for the project to the NM Interstate Stream Commission (NMISC). However, some of the required monthly status reports were not submitted to the NMISC. See Finding 2017-002 on p. 5.

- 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. The Acequia was required to submit Request for Reimbursement forms to the NMISC along with the contractor's invoices and 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.

The project work was completed. The unexpended balance of \$159.17 was reverted to the NMISC on June 30, 2017. See the Schedule of Capital Outlay Awards on p. 7.

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 Acequia used its checking account at Washington Federal Bank to account for the grant receipts and check disbursements for the project expenditures.

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 Acequia submitted three Request for Reimbursement forms to the NMISC for services rendered by the contractors. The reimbursement requests were supported by three invoices from one contractor and two vendors totaling \$71,840.83. The Association paid the invoices after the grant checks were received from the NMISC. See the Schedule of Capital Outlay Awards on p. 7.

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 the required content per Section 2.2.2.10 (I)(3)(C) NMAC.

No other findings were noted during the agreed-upon procedures.

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 Acequia, the New Mexico State Auditor, the Department of Finance and Administration – Local Government Division, 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.

*Accounting & Auditing Services, LLC*

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

August 4, 2017

**La Acequia del Llano  
Schedule of Findings and Responses  
Fiscal Year Ending June 30, 2017**

**Status of Prior Year Findings**

Not applicable.

**Current Year Findings**

**Finding 2017-001. Late Contract and Agreed-Upon Procedures for FY16**

**Condition**

The Acequia's Board of Commissioners did not hire a CPA firm to perform the Tier 3 agreed-upon procedures for the fiscal year ending June 30, 2016 until September 21, 2017.

**Criteria**

As required by the State Audit Rule, Section 2.2.2.8.F (8)(e) NMAC, the Acequia should have hired a CPA firm and submitted the contract information to the NM Office of the State Auditor by July 1, 2016.

According to the State Audit Rule, Section 2.2.2.16.B (3) NMAC, "if a local public body's annual revenue is less than \$50,000 and the local public body expended at least 50%, or the remainder of, a single capital outlay award, then the local public body shall procure the services of an IPA for the performance of a Tier 3 agreed-upon procedures engagement in accordance with the audit contract for a Tier 3 agreed-upon procedures engagement."

**Effect**

The users of the agreed-upon procedures report did not receive timely information about the results of the capital outlay award for FY16.

**Cause**

The Acequia made an error when completing the tier determination form and certification to the NM Office of the State Auditor for FY16. The Treasurer of the Association stated that the Board of Commissioners was unaware of the requirements for agreed-upon procedures.

**Recommendation**

The Board of Commissioners should read Section 2.2.2.16 NMAC of State Audit Rule 2017 to understand the specific reporting requirements for local public bodies and due dates for agreed-upon procedures. For future fiscal years, the Acequia shall determine its total

**La Acequia del Llano**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending June 30, 2017**

revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC to determine what agreed-upon procedures or audits are required for the fiscal year. The Board of Commissioners should take the necessary action to ensure that the annual tier certification to the NM Office of the State Auditor is accurate. If agreed-upon procedures are required for a fiscal year, the Acequia should submit the contract information to the NM Office of the State Auditor by July 1<sup>st</sup> as required by Section 2.2.2.8 (F) and (H) NMAC.

Management's Response

The Board of Commissioners will take the following recommended corrective actions:

- 1) The Treasurer will read Section 2.2.2.16 of the NMAC State Audit 2017 by August 1, 2017, and become familiar with all the reporting dates for local public bodies and due dates for agreed upon procedures.
- 2) In future fiscal years the Treasurer will, at the beginning of that fiscal year, determine the total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16 of the NMAC State Audit 2017 to comply with the regulations.
- 3) The Treasurer will take necessary actions to be certain that the annual tier certification documentation submitted to the State Auditor is accurate and if agreed-upon procedures are required for a fiscal year the Treasurer will submit the contract information to the NM Office of the State Auditor by July 1 as required by Section 2.2.2.8 (F) and (h) NMAC.

**Finding 2017-002. Non-Submission of Monthly Project Status Reports**

Condition

The Acequia did not submit the monthly project status reports to the NM Interstate Stream Commission (NMISC) for the months of November and December 2016, January and February 2017 and June 2017.

Criteria

Article VIII.A (Reports) of the grant agreement between the Acequia and the NMISC states that the Acequia shall submit paper periodic reports to the NMISC for the project.

Effect

The NMISC did not receive all of the required reports from the Acequia to adequately monitor the project activity.



**La Acequia del Llano**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending June 30, 2017**

Cause

The Treasurer of the Acequia stated that she was unaware of the requirement to submit the status reports to the NMISC on a monthly basis.

Recommendation

For future capital outlay grant agreements, the Association's Board of Commissioners should thoroughly read the grant agreement to understand all of the reporting requirements. The Board of Commissioners should develop and implement a procedure to ensure that all required project status reports are submitted to the granting agency by the required due date in accordance with the terms of the grant agreement.

Management's Response

For any future capital outlay grant agreements, the Board of Commissioners of La Acequia del Llano will read the grant agreements and make sure they understand each and every reporting requirement prior to accepting the grant. The Treasurer will develop a procedure to track and submit all reports on the necessary dates. Immediately upon the grant being awarded, the Treasurer will implement the procedure to ensure that all required project reports are submitted to the granting agency by the required due date in accordance with the terms of the grant agreement.

**La Acequia del Llano  
Schedule of Capital Outlay Awards  
For the Fiscal Year Ending June 30, 2017**

1

Amount Awarded for Project	\$ 72,000.00
Amount Received and Expended in FY16	(58,389.21)
Amount Received and Expended in FY17	<u>(13,451.62)</u>
Remaining Balance	<u>\$ 159.17</u>

**Agreement Provisions**

**1 - Grant Agreement Between the NM Interstate Stream Commission and La Acequia del Llano  
(Fund 13-1580 Capital Appropriation Project)**

Legislative Authority: NM Laws of 2013, Chapter 226, Section 29, Paragraph 13

Date of Agreement: June 15, 2015

Project Description: To construct acequia improvements, including purchase and installation of culverts for La Acequia del Llano in Dixon in Rio Arriba County.

Estimated Project Cost: \$72,000

State Grant Amount: \$72,000

Agreement termination/reversion date: June 30, 2017

**La Acequia del Llano  
Exit Conference  
Fiscal Year Ending June 30, 2017**

On August 4, 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:

La Acequia del Llano

Matt Romero, President

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager