



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

STATE OF NEW MEXICO

ACEQUIA MESA DEL MEDIO

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 5)

Year Ended December 31, 2018

STATE OF NEW MEXICO

ACEQUIA MESA DEL MEDIO

**Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 5)**

Year Ended December 31, 2018

**STATE OF NEW MEXICO
ACEQUIA MESA DEL MEDIO**

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**STATE OF NEW MEXICO
ACEQUIA MESA DEL MEDIO**

**Official Roster
at December 31, 2018**

<u>Name</u>		<u>Title</u>
	<u>Commissioners</u>	
Richard Martinez		Chairman
Tobias Velasquez		Secretary
Steven Salazar		Treasurer



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& Co., P.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 5)

To: Richard Martinez, Commissioner, President
Acequia Mesa del Medio #13154
and
Brian S. Colón, Esq.
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Acequia Mesa del Medio and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations and Other as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of the Acequia Mesa del Medio. The Acequia Mesa del Medio is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations and Other as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of the Acequia Mesa del Medio. The sufficiency of these procedures is solely the responsibility of those parties specified in the 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 Acequia Mesa del Medio's revenue calculation and tier determination. Acequia Mesa del Medio's cash basis revenue was between the **Tier 5** lower and upper limits and had expended the remainder of a state capital outlay appropriation.

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) The Acequia Mesa del Medio has two checking accounts in one financial institution, and utilizes Excel spreadsheets to record cash transactions and prepare month Treasurer's financial reports. 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. The Acequia Mesa del Medio applied for and was awarded a 90/10 Acequia Rehabilitation Cost Share Project that was executed on August 11, 2017, with sufficient funding that caused a change in the tier determination for the year ended December 31, 2018 from a Tier 3 to a Tier 5. However, required quarterly financial cash reports were not submitted to DFA-LGD during the year and at year-end so we could not trace the ending cash balances to those reports. See Finding 18-001 (noncompliance) on page 4.
- 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

The Acequia Mesa del Medio performed a yearly inventory as required by Section 12-6-10 NMSA, 1978 and maintains a capital asset listing.

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) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each revenue type could not be performed since a formal budget, including all revenue and expenses, was not prepared for the year ended December 31, 2018. See Finding 18-001 (noncompliance) on page 4. However, the Acequia Mesa del Medio did prepare, for internal use, a Cost Breakdown for the 90/10 NMISC Acequia Rehabilitation Cost Share Project.

- b) We requested supporting documentation for five (5) deposits (99% of total revenue) from a total of 8 deposits for the year. For the sample selected, amounts recorded agreed with ACH deposits, 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 six (6) disbursements (99% of total expenditures) from a total of 24 disbursements for the year. For the sample selected, 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.
- b) Disbursements were properly authorized and approved in compliance with the project agreements, legal requirements and established policies and procedures.
- c) The bid process or request for proposal 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 Acequia Mesa del Medio only utilizes Excel spreadsheets to record cash transactions and prepare monthly Treasurer's reports and there were no journal entries recorded.

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) We determined that a formal 2018 fiscal year budget, including all revenue and expenses, was not developed or submitted to the governing body or DFA-LGD for approval. The Acequia Mesa del Medio planned on continuing as a Tier 3 entity for the year ended December 31, 2018. However, the Acequia Mesa del Medio applied for and was awarded a 90/10 Acequia Rehabilitation Cost Share Project that was executed on August 11, 2017, with sufficient funding that caused a change in the tier determination from a Tier 3 to a Tier 5. The Acequia Mesa del Medio prepared, for internal use, a Cost Breakdown for the 90/10 NMISC Acequia Rehabilitation Cost Share Project. However, no later than December 1, 2017, the Acequia Mesa del Medio was required to, but did not, prepare a formal budget, including all revenue and expenses, for governing body approval and for submission to the DFA-LGD for approval. See Finding 18-001 (noncompliance) on page 4.
- b) Since a formal 2018 fiscal year budget, including all revenue and expenses was not prepared, we could not determine if total actual expenses exceeded the final budget by at the total fund level, the legal level of budgetary control.
- c) Since the Acequia Mesa del Medio did not prepare a formal 2018 fiscal year budget, including all revenue and expenses, we could not prepare a schedule of revenues and expenses – budget and actual.

8. Capital Outlay Appropriations - 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 the cash 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).
- 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.
- f) 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.
- g) If the project is complete, determine if there is unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) 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.
- i) 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.

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. There were two projects. For Project 14-1798, we examined three disbursements totaling \$53,373.38. For Project 14-2156, we examined three disbursements totaling \$150,000.00.
- 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 request for proposal 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).
- d) We determine the physical existence of the capital assets 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.
- f) The projects were not intended to be funded in advance but on a reimbursement basis.
- g) Projects 14-1798 and 14-2156 are both complete and there are no unexpended balances in agreement with the grantor.
- h) Since the projects were approved on a reimbursement basis, no separate fund or bank accounts were required.
- i) We determined that the reimbursement requests were properly supported and the Acequia incurred costs prior to the submission of the request for funding from the New Mexico Interstate Stream Commission. There were two projects. For Project, 14-1798, we examined three reimbursement requests totaling \$53,373.38. For Project 14-2156, we examined three reimbursement requests totaling \$150,000.00.

9. Other

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 noncompliance issues related to Budget Approval/Submission and Quarterly Financial Reporting Noncompliance (Finding 2018-001 on page 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, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations or Other of the Acequia Mesa del Medio as of and for the year ended December 31, 2018, included in the accompanying information provided to us my management of the Acequia Mesa del Medio. 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 Acequia Mesa del Medio, 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
April 30, 2019

STATE OF NEW MEXICO
 ACEQUIA MESA DEL MEDIO
 Agreed-Upon Procedures (Tier 5)
 For the Year Ended December 31, 2018

Exhibit A

Capital Outlay Project No.	Pay Request	Amount Awarded	Amount Requested/ Received	Amount Expended	Remaining Balance	Actual Legislation	Effective Dates
14-1798-STB		<u>\$ 60,000.00</u>					
	1		\$ 1,530.13	\$ 1,530.13	\$ 58,469.87		
	2		5,096.49	5,096.49	53,373.38	Laws of 2014, Chapter 66, Section 21, Paragraph 7, to plan, design, construct and install phase I improvements and erosion control structures for the acequia Mesa del Medio in Rio Arriba county.	Through 6/30/2018
	3		45,740.92	45,740.92	7,632.46		
	4		7,286.38	7,286.38	346.08		
	5		346.08	346.08	0.00		
			<u>\$ 60,000.00</u>	<u>\$ 60,000.00</u>	<u>\$ -</u>		
14-2156-STB		<u>\$ 150,000.00</u>					
	1		\$ 41,056.58	\$ 41,056.58	\$ 108,943.42	Laws of 2014, Chapter 66, Section 37, Paragraph 2, to plan, design, renovate, construct and equip improvements to acequias statewide.	Through 6/30/2018
	2		75,135.75	75,135.75	33,807.67		
	3		33,807.67	33,807.67	-		
			<u>\$ 150,000.00</u>	<u>\$ 150,000.00</u>	<u>\$ -</u>		

STATE OF NEW MEXICO
 ACEQUIA MESA DEL MEDIO
 Agreed-Upon Procedures (Tier 5)
 For the Year Ended December 31, 2018

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
14-1798			<u>\$ 60,000.00</u>							
	STB									
	1	6/7/2017		\$ 1,530.13	8/31/2017	\$ 1,530.13	1006	9/14/2017	\$ 1,530.13	William J. Miller Engineers, Inc.
	2	12/6/2017		<u>5,096.49</u>	12/15/2017	<u>5,096.49</u>	1007	12/17/2017	<u>5,096.49</u>	William J. Miller Engineers, Inc.
			2017	<u>6,626.62</u>		<u>6,626.62</u>			<u>6,626.62</u>	
	3	1/26/2018		45,740.92	2/8/2018	45,740.92	1008	2/10/2018	45,740.92	Sichler Construction, LLC
	4	6/1/2018		7,286.38	6/26/2018	7,286.38	1013	6/20/2018	7,286.38	William J. Miller Engineers, Inc.
	5	6/29/2018		<u>346.08</u>	7/13/2018	<u>346.08</u>	1014	7/16/2018	<u>346.08</u>	William J. Miller Engineers, Inc.
			2018	<u>53,373.38</u>		<u>53,373.38</u>			<u>53,373.38</u>	
			Total	<u>\$ 60,000.00</u>		<u>\$ 60,000.00</u>			<u>\$ 60,000.00</u>	
14-2156			<u>\$ 150,000.00</u>							
	STB									
	1	1/26/2018		\$ 41,056.58	2/8/2018	\$ 41,056.58	1008	2/10/2018	\$ 41,056.58	Sichler Construction, LLC
	2	3/5/2018		75,135.75	3/15/2018	75,135.75	1009	3/19/2018	75,135.75	Sichler Construction, LLC
	3	4/25/2018		<u>33,807.67</u>	5/1/2018	<u>33,807.67</u>	1010	5/1/2018	<u>33,807.67</u>	Sichler Construction, LLC
				<u>\$ 150,000.00</u>		<u>\$ 150,000.00</u>			<u>\$ 150,000.00</u>	

**STATE OF NEW MEXICO
ACEQUIA MESA DEL MEDIO**

**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:			
Budget not submitted for approval and quarterly financial reports not submitted	D	N/A	2018-001
Follow-up on Prior Year Findings:			
None Reported	N/A	N/A	N/A

*** Legend for Findings:**

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

**STATE OF NEW MEXICO
ACEQUIA MESA DEL MEDIO**

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

2018-001 (Noncompliance)

Budget not Submitted for Approval and Quarterly Financial Reports not Submitted

Criteria

Section 6-6-2 (E) NMSA 1978 requires each local public body to certify a final budget and submit it to the Department of Finance and Administration, Local Government Division (DFA-LGD). 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

The Acequia Mesa del Medio, normally a Tier 3, applied for and was awarded a 90/10 Acequia Rehabilitation Cost Share Project through the New Mexico Interstate Stream Commission (NMISC) and the agreement was executed on August 11, 2017, with sufficient funding that caused a change in the tier determination from a Tier 3 to a Tier 5. A 2018 Cost Breakdown for the 90/10 Cost Share Project was developed and approved by the governing body but a formal 2018 fiscal year budget, including all revenue and expenses, was not prepared and submitted to the governing body or DFA-LGD for approval. Also, the Acequia Mesa del Medio did not submit required quarterly financial reports to the DFA-LGD.

Cause

Oversight on the part of Acequia Mesa del Medio management.

Effect

The Acequia Mesa del Medio did not comply with Sections 6-6-2 and 6-6-3 NMSA 1978.

Recommendation

We recommend that, when required in the future, the Acequia Mesa del Medio's Board implement and enforce policies and procedures to approve and submit a budget and required quarterly financial reports to DFA-LGD.

Entity Response

"As recommended, when required in the future, the Acequia Mesa del Medio's Board will implement and enforce policies and procedures to submit the approved budget and required quarterly financial reports to DFA-LGD. The specific policies and procedures will be to determine if Tier 5 will be reached the next FY before November and if so, have the budget approved and submitted to DFA-LGD by December 1st, with quarterly financial reports submitted thereafter."

**STATE OF NEW MEXICO
ACEQUIA MESA DEL MEDIO**

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

EXIT CONFERENCE

The report contents were discussed in a telephonic exit conference held on May 6, 2019 with the following:

Acequia Mesa del Medio

By telephone:

Tobias Velasquez, Secretary

Accounting Firm

James R. (Jim) Macias, CPA