

# **Accounting & Auditing Services, LLC**

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

**Acequia de Los Fresquez**

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

**For the Fiscal Year Ending December 31, 2018**

**Acequia de Los Fresquez  
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Fiscal Year Ending December 31, 2018**

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**Acequia de Los Fresquez  
Official Roster  
Fiscal Year Ending December 31, 2018**

**Board of Directors**

David Deaguero, President

Velma M. Esquibel, Secretary

Carmen E. Payne, Treasurer

**Staff**

Charlie Esquibel, Mayordomo

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

Members of the Board of Directors

Acequia de Los Fresquez

Santa Cruz, New Mexico

and

Brian S. Colon, Esq., New Mexico State Auditor

Santa Fe, New Mexico

I have performed the procedures enumerated below for the Acequia de Los Fresquez (Acequia) for the year ending December 31, 2018, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 5 entity per Section 12-6-3 B (5) 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."

According to the Acequia's general ledger, total revenues for the year ending December 31, 2018 were \$54,747 (excluding a capital outlay appropriation from the New Mexico Interstate Stream Commission and federal grant revenues from the New Mexico Association of Conservation Districts). Based on this information, the Acequia was properly determined to be a Tier 5 entity for 2018 since their revenues were between \$50,000 and \$250,000 and they expended the remaining balance of a capital outlay appropriation during 2018.

2. Cash

- 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.

The Acequia has a checking account at Wells Fargo Bank and their savings account was closed in March 2018. The bank account reconciliations were performed on a monthly basis in a timely manner. All bank statements for 2018 were 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 DFA-Local Government Division.

33% of the bank statements were tested. The selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger and supporting documentation. The ending balances could not be traced to the financial reports submitted to DFA-LGD since the Acequia did not submit any quarterly reports to DFA-LGD. See Finding 2018-001 on p. 8.

- c. Determine whether the local public body's financial institutions have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

The bank account balance of the Acequia during 2018 did not exceed \$250,000 and was fully insured by the FDIC.

### 3. Capital Assets

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

The Acequia performed a capital asset inventory at the end of 2018 which was approved by the Board Treasurer. The Acequia does not have any movable chattels and equipment that cost more than \$5,000 and none were noted during the agreed-upon procedures.

### 4. Revenues

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Acequia consist of annual ditch fees, a state capital outlay appropriation, and state and federal capital project grants.

Actual revenue in 2018 compared to the prior year revealed no significant or unusual fluctuations and the variances were adequately explained by the Acequia's Treasurer. Actual revenue in 2018 compared to budgeted revenue for 2018 could not be analyzed since the Acequia did not prepare a budget for the fiscal year ending December 31, 2018. See Finding 2018-001 on p. 8.

b. Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of revenues were tested which amounted to 98% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

ii. 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.

The cash receipts tested were properly classified and recorded in the general ledger.

## 5. Expenditures

a. Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

i. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to 98.6% of total expenditures. The amounts recorded as 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 Acequia does not use purchase order forms.

ii. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in compliance with the budget and legal requirements.

iii. 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 13-1-199

NMSA 1978), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

For the capital outlay project expenditures in 2018, the Acequia obtained the necessary bids and quotes. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code. The Acequia did not make any payments for per diem and mileage during 2018.

## 6. Journal Entries

- a. Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

According to the Acequia's Treasurer, no non-routine journal entries were posted to the general ledger in 2018 and none were noted during the agreed-upon procedures.

- ii. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Acequia has a procedure in place to ensure that non-routine journal entries posted by the Treasurer are reviewed and approved by another member of the governing body. If an adjusting journal entry is made to the books and records of the Acequia, the Acequia's Treasurer will provide the information to the Board Chairman for review and approval.

## 7. Budgets

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following test work:

- i. 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.

The Acequia did not prepare a budget for the fiscal year ending December 31, 2018. See Finding 2018-001 on p. 8.

- ii. 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.

This procedure could not be performed since the Acequia did not prepare a budget for 2018. See Finding 2018-001 on p. 8.

- iii. 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.

See Exhibit 1 on p. 10.

8. Requested and reviewed all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 5 criteria. 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.

For the year ending December 31, 2018, six cash disbursements for project expenditures totaling \$22,266.10 were tested (capital outlay appropriation #14-1810). The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contracts and canceled checks. The Acequia 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 project 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 Acequia obtained bids and quotes, and awarded contracts for the project work in accordance with the State Procurement Code.

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



The completed project work was observed on May 16, 2019. The work that was observed agreed with the project description and contractors' invoices.

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

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

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 other supporting documentation.

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

The project work was completed. The unexpended balance of \$15.48 reverted to the State of New Mexico on July 1, 2018. See the Schedule of Capital Outlay Awards on p. 11.

- 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 award agreement.

The Acequia used its checking account at Wells Fargo Bank to account for the grant receipts from the NMISC and the check disbursements to the contractors for the project expenditures.

- 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.

For grant #14-1810, the Acequia submitted six Request for Reimbursement forms to the NMISC totaling \$22,266.10. The reimbursement requests were supported by six invoices totaling \$22,266.10 for engineering services on the dam diversion project, and the installation of pipe and ditch gates. The Acequia paid for the invoices after the grant checks were received from the NMISC. See the Schedule of Capital Outlay Awards on p. 11.

## 9. Other

- a. 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.

No other findings were noted during the performance of 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 Office of the State Auditor, the New Mexico Interstate Stream Commission, the New Mexico Department of Finance and Administration – Local Government Division, 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

May 16, 2019

**Acequia de Los Fresquez  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2018**

**Status of Prior Year Findings**

Not applicable – no prior-year findings.

**Current Year Findings**

**Finding 2018-001. No Annual Budget or Quarterly Reports to DFA-LGD**

**Condition**

The Acequia's Board of Commissioners did not prepare an annual budget for 2018 and submit it to the NM Department of Finance & Administration's Local Government Division (DFA-LGD) for approval. Also, the Acequia did not submit any quarterly financial reports to DFA-LGD for 2018.

**Criteria**

Pursuant to Section 6-6-2.A NMSA 1978, each local public body is required to furnish and file with DFA-LGD, on or before December 1 of each year, a proposed budget for the next fiscal year if their annual revenues are \$10,000 or more.

Pursuant to Section 6-6-2.F NMSA 1978, the Acequia is required to submit quarterly financial reports to DFA-LGD if their annual revenues are \$10,000 or more.

**Effect**

The Acequia was operating without an approved budget for the fiscal year ending December 31, 2018. DFA-LGD is unable to perform its oversight function without the quarterly financial reports.

**Cause**

The Acequia's Treasurer stated that a budget analyst at DFA-LGD informed her that the Acequia wasn't required to submit an annual budget and quarterly reports to DFA-LGD since the Acequia's regular revenues for 2018 were less than \$10,000.

Management of the Acequia was unaware of the New Mexico Office of the State Auditor's requirement that 90/10 cost share grant revenues from the New Mexico Interstate Stream Commission should be included in total revenues for tier determination purposes.

**Acequia de Los Fresquez**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending December 31, 2018**

Recommendation

For future fiscal years, if the Acequia estimates their annual revenues will be \$10,000 or more (excluding capital project appropriations from the State of New Mexico and federal grant revenues), the Acequia's Board of Commissioners should adopt and submit its annual budget for the next fiscal year to DFA-LGD by December 1, and submit quarterly financial reports to DFA-LGD that report the cash balance, loan balance and cumulative totals for revenues and expenditures in the manner prescribed by DFA-LGD.

Management's Response

Since the Acequia does not expect to receive or expend any 90/10 cost share grant funds from the NMISC in 2019, the Acequia will be in Tier 1 for the fiscal year ending December 31, 2019 and is not required to submit an annual budget and quarterly reports to DFA-LGD.

For future fiscal years, if the Acequia anticipates revenues to exceed \$10,000, the Board of Commissioners will submit an annual budget and quarterly reports to DFA-LGD as required by applicable state laws.

**Acequia de Los Fresquez**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending December 31, 2018**

**Exhibit 1**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Ditch Fees	\$ -	\$ -	\$ 4,407	\$ 4,407
Capital Appropriation Grant - NMISC	-	-	22,266	22,266
90/10 Cost Share Grant - NMISC	-	-	50,339	50,339
Federal Grant - NMACD/NRCS	-	-	97,397	97,397
Interest	-	-	-	-
<b>Total Revenues</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 174,409</u></u>	<u><u>\$ 174,409</u></u>
<b>Expenditures</b>				
Bank Fees	\$ -	\$ -	\$ -	\$ -
Contract Labor - Dam Diversion Project	-	-	157,807	(157,807)
Labor	-	-	1,100	(1,100)
Mayordomo Compensation	-	-	1,800	(1,800)
Office Supplies	-	-	138	(138)
Professional Services - AUP	-	-	1,362	(1,362)
Professional Services - Project Design	-	-	22,266	(22,266)
Subscriptions & Dues	-	-	50	(50)
Miscellaneous	-	-	16	(16)
<b>Total Expenditures</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 184,539</u></u>	<u><u>\$ (184,539)</u></u>

**Acequia de Los Fresquez  
Schedule of Capital Outlay Awards  
For the Fiscal Year Ending December 31, 2018**

	1
Amount Awarded for Project	\$ 50,000.00
Amount Received and Expended in 2016	(22,656.40)
Amount Received and Expended in 2017	(5,062.02)
Amount Received and Expended in 2018	(22,266.10)
Remaining Balance	\$ 15.48

**Agreement Provisions**

**1 - Agreement Between the New Mexico Interstate Stream Commission and the  
Acequia de Los Fresquez - Fund 14-1810 Capital Outlay Appropriation Project**

Legislative Authority: NM Laws of 2014, Chapter 66, Section 21, Paragraph 19

Date of Agreement: October 27, 2014, amended April 20, 2018 (reversion date extended).

Project Description: To plan, design and construct improvements to the Fresquez Ditch  
in Cuartelas in Santa Fe County.

Estimated Project Cost: \$194,794

State Grant Amount: \$50,000

Agreement termination/reversion date: June 30, 2020 (as amended by Laws of 2018, Chapter 68,  
Section 115 of the Capital Outlay Reauthorizations Bill)

**Acequia de Los Fresquez  
Exit Conference  
Fiscal Year Ending December 31, 2018**

On May 16, 2019, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Acequia de Los Fresquez

Carmen E. Payne, Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager