

STATE OF NEW MEXICO

Farmington Echo Ditch Company

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2017



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
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**YEAR ENDED DECEMBER 31, 2017**

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**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**OFFICIAL ROSTER**  
**YEAR ENDED DECEMBER 31, 2017**

<u>Name</u>	<u>Company Board</u>	<u>Title</u>
Tommy Bolack		Chairman
Terry McCoy		Secretary
Keith Corley		Treasurer

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**FINANCIAL SECTION**



# Manning Accounting and Consulting Services, LLC

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Brian Colón  
New Mexico State Auditor  
and  
Members of the Board and Management  
Farmington Echo Ditch Company  
Farmington, New Mexico

We have performed the procedures enumerated below, which were agreed to by the State of New Mexico and Farmington Echo Ditch Company (Company), solely to assist you with respect to the Company's compliance for a Tier 4 engagement of the Audit Act (Section 12-6-1 NMSA 1978 et seq.) with respect to the Company's cash and capital assets as of December 31, 2017 and the Company's revenues, expenditures, and budget for the year ended December 31, 2017. The Company's management is responsible for the company's accounting records and financial information. The 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 those parties specified in this report. The procedures were agreed to by the Company through the NM Office of the State Auditor. 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.

We were engaged to perform the following agreed-upon procedures for the period January 01, 2017 to December 31, 2017 and our procedures and results are as follow:

### 1. **Tiered System Reporting**

#### **Procedures:**

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."

#### **Results:**

We reviewed the public body's revenue calculations and tier determination and determined that the Company is subject to a Tier 4 engagement.

### 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 bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.



- 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:**

- a. The Company did not have any copies of bank reconciliations for us to review. We had copies of bank statements but no reconciliations. The reconciliations were done in QuickBooks but not printed and are now unavailable for reprint according to the current Treasurer/Bookkeeper. See finding FS 2016-001 Bank Reconciliation Procedures.
- b. We inspected all cancelled check images and deposit slips returned with the bank statements to compare actual names and amounts with the general ledger. We traced ending balances to the general ledger. The Company was unable to find its financial reports submitted to the DFA-Local Government Division. Additionally, the spreadsheet which the Company said were the amounts reported to DFA showed a difference in the manual general ledger amount and the bank balance and certificates of deposits amounts by \$4,567.60. This difference is due to recording the purchase of an addition certificate of deposit amount as an expense instead of recording additional cash in a certificate of deposit. See findings FS 2016-001 Bank Reconciliation Procedures and NM 2017-001 Submission of Required Budgets and Reports to the Department of Finance and Administration.
- c. We reviewed balances at each month end to determine if sufficient pledged collateral had been provided on all uninsured funds. No balances exceeded the FDIC coverage limit of \$250,000 during the year, so no exceptions were noted in these procedures.

**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:**

The Company does not have any moveable assets at December 31, 2017. The only assets are headgates which are part of the irrigation ditch system. As such, an annual inventory was not needed.

**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 revenues equal to at least 30% of the total dollar amount and test using 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:**

- a. We identified the nature and sources of revenue. Total receipts for assessment fees were \$61,820 while the budgeted revenues were \$61,245, a difference of \$575 or 0.9%. We had determined to obtain explanations on revenue categories which varied from budget by 5% and by \$2,500 or more.
- b. We tested the following revenue sources on a cash basis which is how the Company maintains its records: Assessment fees – The Company's receipts during 2017 relates almost exclusively to

assessment fees. A total of 31 deposits were made. We selected the five largest deposits plus ten additional deposits for review totaling \$42,200.56, or 68.3% of total receipts. One exception was noted. See Finding FS 2016-002 Lack of Supporting Documentation for Deposits.

- c. All revenue classifications were proper, the amounts agreed to supporting documentation and bank statements with one exception, and amounts agreed to general ledger amounts and were recorded in the proper periods. See Finding FS 2016-002 Lack of Supporting Documentation for Deposits.

## 5. **Expenditures**

### **Procedures:**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test using 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### **Results:**

We selected the nine largest disbursements for the period plus thirty-one randomly selected disbursements for a total of forty disbursements tested of the 103 total disbursements over the period. Total disbursements were \$58,843.82, and the forty items selected accounted for \$45,631.00, or 77.5% of total disbursements.

- a. We tested each disbursement to ascertain the following:
  - Vendor invoice is clerically accurate
  - Purchase order (P.O.) is clerically accurate and initiated by purchasing agent prior to commitment of funds
  - Amount and payee per check agree to P.O. and invoice
  - P.O. is supported by proper quote or bid documentation as required by State Purchasing Requirements
  - Traced to general ledger
  - Does not violate Anti-Donation Laws
  - Receiving documents identify items received and when and who received them and that items are OK to pay

We tested all disbursement according to the above criteria. The Company does not create purchase orders. Goods and services lack receiving and some items did not have supporting documentation. See finding FS 2016-003 Purchase Orders and Payment Authorization regarding this issue.

- b. The Company didn't have indication of receiving on five of the forty items tested. However, all disbursements included checks which were signed by two directors of the board. See findings FS 2016-003 Purchase Orders and Payment Authorization.
- c. During our review of procedures related to the Procurement Code, we noted no exceptions to the bidding process as no products or services requiring quotes or bids were purchased during this year.

**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:**

- a. The Company had no journal entries in 2017.
- b. No procedures established as the Company had no journal entries.

**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 whether 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:**

- a. The Company submitted a budget to the DFA-LGD on time and no issues were noted.
- b. The Company did not exceed their budget.
- c. The Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) has been prepared; see page 8.

**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 detailed in Section 2.2.2.10(L) NMAC.

**Results:**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

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 on the Company's cash and capital assets as of December 31, 2017 and the Company's revenue, expenditures, and budget for the year ended December 31, 2017. 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, others within the Company, the State Auditor, the New Mexico 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 these specified parties.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

June 1, 2020

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET**  
**AND ACTUAL (NON - GAAP BUDGETARY BASIS)**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Assessment fees	\$ 61,245	\$ 61,245	\$ 61,820	\$ 575
Fines and penalties	-	-	0	-
Interest income	50	50	2	(48)
<i>Total revenues</i>	<u>61,295</u>	<u>61,295</u>	<u>61,823</u>	<u>527</u>
<i>Expenses:</i>				
Maintenance costs	30,000	30,000	27,349	2,651
Office supplies	150	150	599	(449)
Insurance	100	100	100	-
Postage	670	670	348	322
Field supplies	150	150	614	(464)
Subscriptions/dues	3,393	3,393	3,393	-
Equipment rental	3,900	3,900	2,106	1,794
Contract labor	22,932	22,932	18,998	3,934
Miscellaneous expnses	-	-	150	(150)
<i>Total expenses</i>	<u>61,295</u>	<u>61,295</u>	<u>53,657</u>	<u>7,638</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>8,166</u>	<u>8,165</u>
<i>Other financing sources (uses):</i>				
Designated cash	78,250	78,250	-	78,250
<i>Total other financing sources (uses)</i>	<u>78,250</u>	<u>78,250</u>	<u>-</u>	<u>78,250</u>
<i>Net change in fund balance</i>	78,250	78,250	8,166	86,415
<i>Cash - beginning of year</i>	<u>-</u>	<u>-</u>	<u>78,250</u>	<u>78,250</u>
<i>Cash - end of year</i>	<u>\$ 78,250</u>	<u>\$ 78,250</u>	<u>\$ 86,416</u>	<u>\$ 86,415</u>

**FARMINGTON ECHO DITCH CO.**

**4th Quarter (Jan 1 - Dec 31st)**

	<u>Approved Budget</u>	<u>Jan 1 - Dec 31st</u>	<u>Amount Over/Under Budget</u>	<u>% of Budget</u>
<b>Beginning Cash Balance on Jan 1st:</b>				
	\$78,250			
<b>Revenue</b>				
Fees	\$61,245	\$61,505	\$260	100.42%
Fines and Penalties	\$0	\$0	\$0	-
Interest Income	\$50	\$62	\$12	124.74%
Contributions	\$0	\$0	\$0	-
Sales-Other	\$0	\$0	\$0	-
Federal Grant	\$0	\$0	\$0	-
State Grants-Capital Outlay	\$0	\$0	\$0	-
Miscellaneous	\$0	\$0	\$0	-
<b>Total Revenue</b>	<b>\$61,295</b>	<b>\$61,567</b>	<b>\$272</b>	<b>100.44%</b>
<b>Expenditures</b>				
Equipment	\$0	\$0	\$0	-
Maintenance	\$30,000	\$27,149	-\$2,851	90.50%
Office Supplies	\$150	\$174	\$24	115.73%
Insurance	\$100	\$100	\$0	100.00%
Postage	\$670	\$499	-\$171	74.50%
Supplies-Field	\$150	\$1,148	\$998	765.05%
Subscription/Dues	\$3,393	\$3,393	\$0	100.00%
Labor	\$22,932	\$18,908	-\$4,024	82.45%
Equipment Rental	\$3,900	\$1,727	-\$2,173	44.28%
Contract Labor	\$0	\$0	\$0	-
Transportation	\$0	\$0	\$0	-
Debt Service-Principal	\$0	\$0	\$0	-
Debt Service-Interest	\$0	\$0	\$0	-
Training	\$0	\$0	\$0	-
Equipment/Machinery	\$0	\$0	\$0	-
AUP or Audit	\$0	\$0	\$0	-
PS-Attorney	\$0	\$0	\$0	-
PS-Design	\$0	\$0	\$0	-
Commission	\$0	\$0	\$0	-
Miscellaneous	\$0	\$0	\$0	-
<b>Total Expenditures</b>	<b>\$61,295</b>	<b>\$53,098</b>	<b>-\$8,197</b>	<b>86.63%</b>
<b>Estimated Ending Cash Balance on Dec 31st:</b>				
		\$86,720		



**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section I – Financial Statement Findings**

**FS 2016-001 – Bank Reconciliation Procedures (Significant Deficiency)**

*Criteria:* In accordance with proper accounting procedures, we were not able to verify that Farmington Echo Ditch (Company) was completing their reconciliations in a timely manner. A timely reconciliation of bank accounts is normally considered to be completed within 30 days of month end. Also, bank reconciliations should be reviewed and signed and dated by someone other than the individual completing the bank reconciliations.

*Condition:* The Company did not have copies of any bank reconciliations for review. Additionally, discussion with personnel revealed that formal bank reconciliations were done in 2017 but that copies were not maintained. When reviewing the general ledger to the bank statements all transactions were recorded. However, the year-end bank balance was \$85,795.92 while the general ledger balance was \$81,228.32, a difference of \$4,567.60. This was due to recording the purchase of an additional certificate of deposit as an expenditure instead of including the amount as additional cash in a certificate of deposit.

There is no change from the prior year with regards to bank reconciliations. However, the prior year did not have the significant difference between the manual general ledger and the bank balances as no certificate of deposit purchases were recorded as expenditures.

*Cause:* The Company had completed bank reconciliations in QuickBooks, per discussion with the current Treasurer/Bookkeeper but hard copies were not maintained. The Company was unable to re-open the 2016 QuickBooks year to print copies of the reconciliations at this time. The Company had no considered the need to have the reconciliations signed by two separate individuals.

*Effect:* The Company is unable to document that reconciliations are done timely and are reviewed by a member of the Board.

*Auditor's Recommendation:* We recommend that all cash reconciliations be signed and dated by the individual performing the reconciliations and that they also be signed and dated by a member of the board to verify secondary review of the bank reconciliations. We recommend that these reconciliations and review of reconciliations occur within 30 days of month-end. We also recommend that purchases of certificates of deposit not be recorded as expenditures.

***Responsible Official's Plan:***

- Specific corrective action plan for finding:  
**Have a board member President or Secretary, sign reconciliations.**
- Timeline for completion of corrective action plan:  
**Will start with May 2020 bank statement.**
- Employee position(s) responsible for meeting the timeline:  
**Current Treasurer**

**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section I – Financial Statement Findings (Continued)**

**FS 2016-002 – Lack of Supporting Documentation for Deposits (Significant Deficiency)**

**Criteria:** Good internal control procedures require that all deposits should be accompanied by supporting documentation identifying the total of the deposit, what revenue category generated the funds, and detail of the amounts in the event that multiple items are included within the deposit.

**Condition:** In 1 of 15 items tested the bank deposit amount didn't agree to the amount in the hand general ledger. The general ledger deposit was listed as \$4,030.25 while the deposit in the bank for the same date was \$4,399.57. This difference is due to a bad check being charged back against the account two days later. The Company combined these two transactions into one transaction as the check was part of that deposit. The total is correct, but the general ledger amounts will not track to bank statement individual transactions.

During the prior year, the Company had one deposit which disagreed with the general ledger amount by \$50.00 and had one deposit without a deposit slip.

**Cause:** The Company was not aware of the need to keep additional supporting documentation to support any deposits made to the Company's bank account.

**Effect:** The Company did not accurately report one deposit and did not maintain adequate documentation.

**Auditor's Recommendation:** We recommend that the Company maintain copies of supporting documentation including a system printout showing which accounts were credited for all deposits. Additionally, we recommend that all separate cash related transactions be recorded as individual amounts in your general ledger/cash book.

- Specific corrective action plan for finding:  
***Have and maintain all supporting documentation for all deposits.***
- Timeline for completion of corrective action plan:  
**Immediately**
- Employee position(s) responsible for meeting the timeline:  
**Treasurer/bookkeeper**

STATE OF NEW MEXICO  
FARMINGTON ECHO DITCH COMPANY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Section I – Financial Statement Findings (Continued)**

**FS 2016-003 – Purchase Orders and Payment Authorization (Other Non-compliance)**

**Criteria:** [13-1-157 NMSA 1978](#) Receipt; inspection; acceptance or rejection of deliveries.

The using agency is responsible for inspecting and accepting or rejecting deliveries. **The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract.** If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, [13-1-158 NMSA 1978](#) states:

**“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98](#) NMSA 1978 by exclusion of the purchase from the Procurement Code [ [13-1-28](#) NMSA 1978].”**

**Condition:** During our review of disbursements we noted the following instances in which proper procedures were not followed:

- The Company does not create purchase orders for purchases
- There is no form of receiving to verify goods and or services were received in 5 of 40 items reviewed. These purchases ranged from \$131.09 to \$12,733.11.
- 6 of 40 items reviewed did not have the invoice to verify proper amount was paid.
- In 1 item reviewed the receipts for a reimbursement the receipts submitted only totaled \$49.50 and payment was for \$68.85.

During the prior year, the Company had the same types of issues with no purchase orders; 11 items did not have receiving documentation, two payments did not agree with the invoices; and one employee’s time sheet showed one hour less than the hours paid.

**Cause:** Company personnel have not followed state guidelines for the payment of services. Policy clearly states that the Company must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received.

**Effect:** Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the Company and the Board at risk for fraud or misuse of public funds

**Auditor’s Recommendation:** We recommend that all personnel be reminded of, or trained in, state policy in regard to payment of goods, services, or construction. All Company personnel need to be aware that a purchase order must be approved prior to expenditure of monies for goods and services and that all goods and services should be signed for indicating when items were received and by whom.

**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section I – Financial Statement Findings (Continued)**

**FS 2016-003 – Purchase Orders and Payment Authorization (Other Non-compliance) (Continued)**

*Responsible official's view:*

- Specific corrective action plan for finding:  
**Purchase order and other purchase procedures to be written, passed to everyone concerned, and implemented by start of new fiscal year, Jan 2021**
  
- Timeline for completion of corrective action plan:  
**January 2021**
  
- Employee position(s) responsible for meeting the timeline:  
**Treasurer**

**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section II 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2016-001 – Late Submission of IPA Recommendation Form and Agreed-Upon Procedures Contract (Other Non-compliance)**

*Criteria:* 2.2.2.8 F(8)(f) NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC and have fiscal year-end other than June 30<sup>th</sup> to follow the procedures at Subsection D of 2.2.2.16 NMAC and submit the required recommendation for tiered system local public bodies and the completed signed agreed upon procedures contract to the state auditor by December 1<sup>st</sup> of the year under review.

*Condition:* Farmington Echo Ditch Company did not complete this process in a timely manner.

There has been no change from the prior year as the Company is just now trying to catch up its past due engagements.

*Cause:* The Company was unaware that they were required to select an IPA and complete an agreed-upon procedures contract. As such, they did not meet the December 1, 2017 deadline.

*Effect:* The submission of the form and the contract to the State Auditor was late.

*Auditor's Recommendation:* We recommend that the Company complete the IPA recommendation form and agreed-upon procedures contract by the statutory deadline.

***Responsible Official's Plan:***

- Specific corrective action plan for finding:  
**Playing catch up now, when complete, will comply with current procedures.**
- Timeline for completion of corrective action plan:  
**December 2020**
- Employee position(s) responsible for meeting the timeline:  
**Treasurer**

**STATE OF NEW MEXICO**  
**FARMINGTON ECHO DITCH COMPANY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section II 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2016-002 – Late Submission of Agreed-Upon Procedures Report (Other Non-compliance)**

**Criteria:** 2.2.2.9 A(1)(j) NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC and have a fiscal year-end other than June 30<sup>th</sup> to file their agreed-upon procedures report according to Subsection I of 2.2.2.16 NMAC which is no more than five months after the fiscal year-end (June 1<sup>st</sup>).

**Condition:** Farmington Echo Ditch Company (Company) did not complete the agreed-upon procedures report in a timely manner.

There has been no change from the prior year as the Company is just now trying to catch up its past due engagements.

**Cause:** The Company was unaware that they were subject to the Audit Rule and required to submit an agreed-upon procedures report. As such, they did not meet the June 1, 2018 deadline.

**Effect:** The submission of the agreed-upon procedures report to the State Auditor was late.

**Auditor's Recommendation:** We recommend that the Company complete the agreed-upon procedures report by the June 1<sup>st</sup> deadline.

**Responsible Official's Plan:**

- Specific corrective action plan for finding:  
**Catch up procedures in place now.**
  
- Timeline for completion of corrective action plan:  
**June 2020**
  
- Employee position(s) responsible for meeting the timeline:  
**Treasurer**

**STATE OF NEW MEXICO**  
FARMINGTON ECHO DITCH COMPANY  
OTHER DISCLOSURES  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Exit Conference**

The contents of this report were discussed on June 1, 2020. The following individuals were in attendance.

Farmington Echo Ditch Company  
Ralph Fenton Treasurer/Bookkeeper

Manning Accounting and Consulting Services, LLC  
Byron R. Manning, CPA, Managing Partner