



Los Salazar Community Ditch Association

**Independent Accountant's Report
on Applying Agreed Upon Procedures (TIER 3)**

For the Year Ended December 31, 2011



**Office of the State Auditor
Brian S. Colón, Esq.**

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State of New Mexico
Los Salazar Community Ditch Association
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For the Year Ended December 31, 2011

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**State of New Mexico
Los Salazar Community Ditch Association
Official Roster
December 31, 2011**

Board of Commissioners

<u>Name</u>	<u>Title</u>
Benito Vigil	President
Darel Madrid	Treasurer
Stacey Talachy	Secretary



State of New Mexico Office of the State Auditor

CONSTITUENT SERVICES
(505) 476-3821

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Members of the Board of Commissioners
Los Salazar Community Ditch Association

We have performed the procedures enumerated below for the Los Salazar Community Ditch Association (Association) for the year ended December 31, 2011, 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 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor (OSA). The Association 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. **Procedure** - 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."

Results of Procedure 1

We verified the Associations revenue calculation and determination form as a Tier 3 agreed upon procedures engagement. The Association's total revenue for year ended December 2011 totaled \$12,006 (excluding capital outlay). Based on this information, the Association was properly determined to be a Tier 3 entity for 2011 since their total revenues were less than \$50,000 and they expended more than 50% of the state capital outlay appropriation from the New Mexico Interstate Stream Commission (NMISC).

2. **Capital Outlay and Procurement**

Test all state-funded capital outlay expenditures.

- a. **Procedure** - 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.

Results of Procedure 2a

We determined the amount disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled checks.

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

Results of Procedure 2b

We determined the cash disbursement was properly authorized and approved and in accordance with the budget, legal requirements and established policies and procedures.

- c. **Procedure** - 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).

Results of Procedure 2c

We determined the Association obtained additional bids/quotes and entered into contracts in accordance with the New Mexico Procurement Code and State Purchasing Regulations.

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

Results of Procedure 2d

Given the recent health precautions, physical observation/contact has been limited during this time period in which the AUPs are being conducted, and alternative procedures are deemed sufficient. Alternative procedures included obtaining limited pictures of the project with descriptions from the Association's Treasurer, Darel Madrid. These alternative procedures are deemed sufficient.

- 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.

Results of Procedure 2e

The agreement with the NMISC did not require the Association to submit status reports. The agreement required the Association to submit a reimbursement form certifying the percentage of the project budget completed in order to receive the reimbursement. We verified the Association's reimbursement form agreed with the project budget.

3. **Procedure** - 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.

Results of Procedure 3

The project was not funded in advance but on a reimbursement basis.

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

Results of Procedure 4

The project is not complete and there is an unexpended balance of \$33,753. This amount will be utilized in future fiscal years.

5. **Procedure** - 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.

Results of Procedure 5

The agreement with the NMISC did not require the Association to account for the award in a separate bank account.

6. **Procedure** - 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 Procedure 6

The requests for payments were properly supported by costs incurred by the Association. The Association submitted a Request for Payment Form with the NMISC based on an unpaid invoice provided by the contractor who had performed work on the Association project. The costs were not paid by the Association prior to the request for reimbursement in accordance with the terms of the agreement.

7. **Procedure** - 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 (L) NMAC.

Results of Procedure 7

The Association was not in compliance with the reporting requirements as noted in Finding 2011-001. We did not note other instances of noncompliance or instances of fraud or illegal acts during the agreed upon procedures engagement.

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 Tier 3 agreed upon procedures. 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 of the Association, the OSA, 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.

Office of the State Auditor

Office of the State Auditor
June 4, 2020

State of New Mexico
Los Salazar Community Ditch Association
Schedule of Capital Outlay Awards
For the Year Ended December 31, 2011

	<u>Note 1</u>
Amount awarded to the Association	\$ 100,000
Amount received by the Association (as of 12/31/2011)	66,247
Amount expended by the Association in prior years	48,100
Amount expended by Association in current year	<u>18,147</u>
Remaining balance	<u><u>\$ 33,753</u></u>

Agreement Provisions

Note 1: Capital Project Agreement for access road improvements

Legislative Authority: 2007 New Mexico Laws, Chapter 42, Section 67, Item 34

Legislative and Effective Date: February 7, 2008

Agreement Termination / Reversion Date: Extended to July 1, 2013

State of New Mexico
Los Salazar Community Ditch Association
Schedule of Findings and Responses
For the Year Ended December 31, 2011

Prior Year Findings:

No matters were reported

2011-001 – Late Financial Reporting

Condition: The Association did not submit the 2011 agreed upon procedures (AUP) report to the OSA by the required due date of no later than five months after the fiscal year end.

Criteria: Section 2.2.2.16(H)(1) NMAC (Audit Rule) states that "Local public bodies with a fiscal year end other than June 30 shall submit the AUP report or certification no later than five months after the fiscal year-end."

Effect: Noncompliance with the Audit Rule which could impact the Association's ability to receive funding. Decision making bodies such as the New Mexico Interstate Stream Commission, the New Mexico Department of Finance and Administration, the Office of the State Auditor, and the New Mexico Legislature did not have timely information regarding the Association.

Cause: Due to the nature of the Association being run by mostly volunteers and the short term of their service, the officers of the Association were not keeping abreast of the tier determination and tier certification requirements.

Recommendation: The Association should implement procedures to ensure the annual financial reporting requirements to the OSA are completed timely.

Agency Response: Since involvement with Los Salazar Community Ditch Association Commissioners in 2017, the Treasurer has instituted sound accounting practices and maintained accurate and responsible reporting to various state agencies including the New Mexico State Auditor's office. A template has been established for future treasurers' of Los Salazar Community Ditch Association to follow with ease.

State of New Mexico
Los Salazar Community Ditch Association
Exit Conference
For the Year Ended December 31, 2011

On June 4, 2020, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report.

Attendees

<u>Name</u>	<u>Title</u>
Darel Madrid	Treasurer, Los Salazar Community Ditch Association
Benito Vigil	President, Los Salazar Community Ditch Association
Stacey Talachy	Secretary, Los Salazar Community Ditch Association
Natalie Cordova, CPA	Deputy State Auditor
Liza Kerr, CPA	Audit Manager, OSA
Darla Brewer, CFE	Audit Supervisor, OSA