

Accounting & Auditing Services, LLC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

North-Side Acequia Madre de Villanueva

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2013

**North-Side Acequia Madre de Villanueva
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Fiscal Year Ending December 31, 2013**

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**North-Side Acequia Madre de Villanueva
Official Roster
Fiscal Year Ending December 31, 2013**

Board of Commissioners

Manuel Villanueva, Chairman

Amanda Hargis, Secretary

Eileen Mulvihill, Treasurer

Mayordomos

Julie Barela, 1st Mayordomo

J.A. Deane, 2nd Mayordomo

Administrative Staff

None

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Manuel Villanueva, Chairman
North-side Acequia Madre de Villanueva
and
Honorable Hector H. Balderas
New Mexico State Auditor

I have performed the procedures enumerated below for the North-side Acequia Madre de Villanueva (Acequia) for the year ended December 31, 2013, 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. Test 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.

All of the cash disbursements for the capital award projects were tested. The amounts 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.

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

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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).

For the work done on the cement ditch repair project, the Acequia advertised, obtained bids and quotes where necessary, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations.

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

The project work done on a section of the concrete ditch was physically observed at the North-side Acequia.

- 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.

Status reports were not required by the terms of the agreements with the NM Office of the State Engineer/Interstate Stream Commission (OSE/ISC). The Acequia submitted the required budgets and reimbursement forms for the projects to the OSE/ISC.

2. 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 projects were not funded in advance. The Acequia was required to submit reimbursement forms to the OSE/ISC upon completion of work on the project. See the results of procedure #5.

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

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The \$20,000 appropriation to the Acequia to payoff loans from the NMISC and to repair a concrete ditch was not fully expended by the Acequia. According to the payment records, the appropriation has an unexpended balance of \$1,221.70 as of the date of this report. According to the agreement with the NMISC, any remaining unexpended balance will revert to the State of New Mexico on June 30, 2016.

4. 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 checks received from the OSE/ISC were deposited in the Acequia's checking account at Wells Fargo Bank. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

5. 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 the concrete ditch repair project and the loan payoff, the Acequia filed Request for Reimbursement Forms with the NMISC. The requests were supported by invoices submitted to the Acequia for work done on the concrete ditch repair project. The costs were not paid by the Acequia prior to the request for reimbursement because the Acequia did not have the necessary funds. The Acequia paid for its project expenditures and loans after the checks were received from the OSE/ISC. A finding was not considered necessary since the Acequia complied with the NMISC's reimbursement procedures.

6. 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 (1)(3)(C) NMAC.

See Findings 2012-3 and 2013-1 on p. 6-8 of this report.

7. The report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See Exhibit 1 – Schedule of Capital Outlay Awards to Acequia on p. 5 of this report.

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We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 3 agreed upon procedures. Accordingly, we do not express such an opinion. 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 Acequia, the New Mexico State Auditor, the NM Office of the State Engineer, the NM Department of Finance and Administration – Local Government Division, and the NM 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 27, 2014

Exhibit 1 - Schedule of Capital Outlay Awards to Acequia

| | 1 | 2 |
|---|--------------|--------------|
| Amount Awarded for Project | \$ 30,340.00 | \$ 20,000.00 |
| Amount Received and Expended by Acequia | (30,340.00) | (18,778.30) |
| Remaining Balance | \$ - | \$ 1,221.70 |

Agreement Provisions

1 - 80/20 Acequia Rehabilitation Cost Share Project Agreement between the NM Interstate Stream Commission (NMISC) and the Northside Acequia Madre de Villanueva Ditch Association

Legislative Authority: NM Laws of 2012, Chapter 19, p. 104, lines 2-19 (Irrigation Works Construction Fund) appropriated \$1.9 million for acequia projects, including the NMISC's 80/20 program.

Date of Agreement with NMISC: April 12, 2013

Project Description: Concrete lining of a ditch including mobilization and preparation.

Estimated Project Cost: \$30,340

State Grant Amount (80% of Estimated Project Cost): \$24,271.97

Acequia's Cost Share (20% of Estimated Project Cost) and Amount Loaned to Acequia: \$6,067.99

Agreement termination/reversion date: June 30, 2012

2 - Fund 12-1404 Acequia Capital Appropriation Project Agreement between the NM Interstate Stream Commission (NMISC) and the Northside Acequia Madre de Villanueva

Legislative Authority: NM Laws of 2012, Chapter 64, Section 15, Paragraph 16

Date of Agreement with NMISC: December 17, 2012

Project Description: To plan, design and construct improvements and to pay off an existing interstate stream commission loan to the Northside Acequia Madre de Villanueva.

Estimated Project Cost: \$20,000

Agreement termination/reversion date: June 30, 2016

**North-Side Acequia Madre de Villanueva
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2013**

Status of Prior Year Findings

Finding 2012-1. Resolved.

Finding 2012-2. Resolved.

Finding 2012-3. Modified and Repeated.

Current Year Findings

Finding 2012-3. Late Agreed-Upon Procedures Report

Condition

This agreed-upon procedures report for FY13 was not submitted to the NM Office of the State Auditor (OSA) by the due date of May 31, 2014. The report was submitted to the OSA on August 27, 2014.

Criteria

According to State Audit Rule, Section 2.2.2.16 (H) NMAC, "Local public bodies with a fiscal year-end other than June 30 must submit the agreed-upon procedures report no later than 5 months after the fiscal year-end."

Effect

If the report is late, users of the report are not receiving timely information about the results of the agreed-upon procedures.

Cause

The Acequia did not select a CPA firm to perform the agreed-upon procedures until June 18, 2014.

Recommendation

The Treasurer of the Acequia should read Section 2.2.2.16 NMAC of the State Audit Rule to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, if the Acequia's annual revenue is less than \$50,000 and the Acequia expended at least 50% of, or the remainder of, a single capital outlay award, then the Acequia shall procure services of an IPA for the performance of a Tier 3 Agreed Upon Procedures engagement (Section 2.2.2.16.B(3) NMAC). If the annual revenues of the

**North-Side Acequia Madre de Villanueva
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2013**

Acequia exceed \$50,000, review Section 2.2.2.16 NMAC for the applicable requirements; if you have any questions about the State Audit Rule, call the OSA at (505) 476-3800. If agreed-upon procedures are required for future fiscal years, the Treasurer of the Acequia should take the necessary steps to ensure that the agreed-upon procedures report is submitted to the OSA by May 31.

Management's Response

The Treasurer of the Acequia will read Section 2.2.2.16 NMAC of the State Audit Rule and will keep a copy of it in the paper record file for each year. The Treasurer will mark each current year calendar with the notation "AGREED UPON PROCEDURES REPORT DUE-START NOW!" on the first week of December to ensure that the report is submitted to the OSA by May 31.

Finding 2013-1. Late Submission of IPA Recommendation Form and Agreed-Upon Procedures Contract to OSA

Condition

The IPA recommendation form and the agreed-upon procedures contract with a CPA firm for FY13 was not submitted to the NM Office of the State Auditor (OSA) by the due date of January 1, 2014. The required forms weren't submitted to the OSA until June 18, 2014.

Criteria

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, "Local public bodies with a fiscal year end other than June 30 must use an IPA Recommendation Form and contract due date of one day after the end of the fiscal year."

Effect

If the contract recommendation forms are late, the agreed-upon procedures report will probably be late. If the agreed-upon procedures report is late, users of the report are not receiving timely information about the results of the agreed-upon procedures.

Cause

According to State Audit Rule, Section 2.2.2.16.B NMAC, "Annually, the State Auditor shall provide local public bodies written authorization to proceed with obtaining services to conduct a financial audit or other procedures." However, the OSA did not send the

**North-Side Acequia Madre de Villanueva
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2013**

authorization to proceed letters to agencies with fiscal years ending on December 31. Instead, the OSA emailed the authorization to proceed to the Acequia on February 28, 2014 but it for was agencies with fiscal years ending June 30, 2014 that specified a due date of May 15, 2014 for the IPA recommendation and contract. As a result, the Treasurer of the Acequia was confused about the due dates and missed the January 1 deadline.

Recommendation

The Treasurer of the Acequia should read Section 2.2.2.16 NMAC of the State Audit Rule to understand the specific requirements and due dates for selecting and contracting with a CPA firm to perform the agreed-upon procedures. For future fiscal years, if the Acequia's annual revenue is less than \$50,000 and the Acequia expended at least 50% of, or the remainder of, a single capital outlay award, then the Acequia shall procure services of an IPA for the performance of a Tier 3 Agreed Upon Procedures engagement (Section 2.2.2.16.B(3) NMAC). If the annual revenues of the Acequia exceed \$50,000, review Section 2.2.2.16 NMAC for the applicable requirements; if you have any questions about the State Audit Rule, call the OSA at (505) 476-3800. If agreed-upon procedures are required for future fiscal years, the Treasurer of the Acequia should take the necessary steps to ensure that she selects a CPA firm and submits the IPA recommendation form and proposed contract to the OSA by the first day after the end of the Acequia's fiscal year (January 1).

Management's Response

The Treasurer of the Acequia will read Section 2.2.2.16 NMAC of the State Audit Rule and will keep a copy of it in the paper record file for each year. The Treasurer will mark each current year calendar with the notation "AGREED UPON PROCEDURES REPORT DUE-START NOW!" on the first week of December in order the submit the IPA recommendation and contract to the OSA by January 1.

**North-Side Acequia Madre de Villanueva
Exit Conference
Fiscal Year Ended December 31, 2013**

On August 27, 2014, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

North-Side Acequia Madre de Villanueva

Eileen Mulvihill, Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager