

**State of New Mexico**  
**Santa Cruz Water Association**  
**2017 Tier 3 Agreed Upon Procedures Report**  
**December 31, 2017**

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## Official Roster

As of December 31, 2017

### Board of Directors

Johnny Marquez, President

Ernest N. Lujan, Vice-President

Margaret Trujillo, Secretary/Treasurer

Eloy Jacquez, Member at Large

Howard Dixon, Member at Large

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

Wayne Johnson  
New Mexico State Auditor  
and  
Johnny Marquez, President  
Santa Cruz Water Association

We have performed the procedures enumerated below, which were agreed to by the New Mexico Office of the State Auditor and Santa Cruz Water Association (Association), on the accompanying Schedule of Capital Outlay Awards for the year ended December 31, 2017. The Association's management is responsible for the Schedule of Capital Outlay Awards for the year ended December 31, 2017. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

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."

The Accountant verified the Association's calculation and determination as a Tier 3 agreed-upon procedures engagement.

2. Perform the following tests 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.

Each amount of capital outlay expenditures from January 1 to December 31, 2017 was reviewed by the accountant and in each case the amount agreed to supporting documentation as described above.

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

Each amount of capital outlay expenditures from January 1 to December 31, 2017 was reviewed by the accountant and in each case proper approval by the Association, and the New Mexico Environment Department Construction Programs Bureau in accordance with the budget, legal requirements and established policies and procedures.

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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 bid process was performed during the 2016 fiscal year. The accountant reviewed documentation supporting the bid process, the report dated April 28, 2017 issued by the accountant and it appears that the bid process was performed in accordance with the New Mexico Procurement Code.

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

On June 5, 2017 the accountant observed the physical existence of the capital asset.

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

Each amount of capital outlay expenditures from January 1 to December 31, 2017 was reviewed by the accountant and in each case status reports submitted to the New Mexico Environment Department Construction Programs Bureau agreed to the general ledger and supporting documentation.

3. 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.

4. 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 was not complete as of December 31, 2017 and there is no advanced funding that would require reversion.

5. 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 capital outlay award agreement did not require a separate bank account.

6. 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.

The oversight agency required that the Association issue a disbursement request along with supporting documentation including invoices. The oversight agency would then issue the funds to the agency who would then pay the respective contractor or service provider. In each case the costs were incurred but not paid until funding was received by the oversight agency. The Association does not have the funds to pay the amounts in advance.

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7. 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.

See the schedule of findings and responses as listed in the table of contents.

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 review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Schedule of Capital Outlay Awards. 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 the management of Santa Cruz Water Association, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Zlotnick Law & Sandoval, P.C.*

Zlotnick, Laws & Sandoval, PC

June 6, 2018

Schedule of Capital Outlay Awards

Non-GAAP Cash Basis

For the Fiscal Year Ended December 31, 2017

Amount Awarded for the Project (Note 1)	\$ 1,600,000
Amount Received/Requested	1,570,947
Amount Expended as of 12/31/2017	<u>1,570,947</u>
Remaining Balance	<u>\$ 29,053</u>

**Note 1:** \$1,600,000 pursuant to New Mexico Laws of 2014, Chapter 66, Section 16, Paragraph 152. The agreement with the New Mexico Environment Department was dated July 30, 2015. The agreement terminates on June 30, 2018 or sooner if the project is completed prior to that time.

## Schedule of Findings and Responses

### Prior Year Findings:

None

### Current Year Findings:

#### 2017-001      **Late Report – Noncompliance**

**Condition:** The 2017 Tier 3 Agreed Upon Procedures Report was submitted after the due date.

**Criteria:** NMAC 2.2.2.16 G (1): Local public bodies with a fiscal year end other than June 30 shall submit the agreed-upon procedures report or certification no later than five months after the fiscal year-end.

**Effect:** The report is not made available to the public in a timely manner and the usefulness of the Report is thereby impaired.

**Cause:** Due to unforeseen circumstances management was not able to make themselves available in time to complete and turn in the report by the due date.

**Recommendation:** We recommend that management set and follow deadlines for the completion of the bookkeeping and financial statements, for the contracting with an IPA, and the completions and submission of the report that insure timely reporting and compliance with NMAC 2.2.2.

**Association's Response:** We concur with this finding.

The Association will henceforth ensure that compliance is achieved by engaging the services of an independent audit firm by the compliance deadline.

Timeline and parties responsible for corrective action: The Association treasurer has been directed to contract with an IPA as soon as all reconciliations for the period ending December 31st are completed, and to ensure that the procedures are scheduled with enough time to account for unforeseen circumstances.



## Exit Conference

On June 6, 2018, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report in a closed meeting:

### Santa Cruz Water Association

Johnny Marquez, President

Margaret Trujillo, Secretary/Treasurer

### Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA

Brian Laws, CPA