



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
TIERRA AMARILLA, NEW MEXICO

STATE OF NEW MEXICO

LA ASOCIACION DE AGUA DE LOS BRAZOS

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 3)

Year Ended December 31, 2018

STATE OF NEW MEXICO

LA ASOCIACION DE AGUA DE LOS BRAZOS

**Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 3)**

Year Ended December 31, 2018

**STATE OF NEW MEXICO
LA ASOCIACION DE AGUA DE LOS BRAZOS**

**Table of Contents
December 31, 2018**

		<u>Page</u>
Title Page		i
Table of Contents		ii
Official Roster		iii
Independent Accountants' Report on Applying Agreed-Upon Procedures (Tier 3)		iv-vii
	<u>Exhibit</u>	
Project Schedule - Summary	A	1
Project Schedule - Detail	B	2
Schedule of Findings and Responses		3-5
Exit Conference		6

**STATE OF NEW MEXICO
LA ASOCIACION DE AGUA DE LOS BRAZOS**

**Official Roster
at December 31, 2018**

<u>Name</u>	<u>Title</u>
<u>Officers</u>	
Manuel F. Valdez	President
Juanita Pino	Vice-President
Lily Lopez	Secretary
Sylvia Mercure	Treasurer
Estefanita Abeyta	Member



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& Co., P.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 3)

To: Manuel F. Valdez, President
La Asociacion de Agua de Los Brazos
and
Brian S. Colón, Esq.
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the La Asociacion de Agua de Los Brazos (LADADLB) and the Office of the State Auditor on the Tier Verification, the State-Funded Capital Outlay Expenditures and Reimbursements and Other (Items 1-7) for the year ended **December 31, 2018**, included in the accompanying information provided to us by management of the La Asociacion de Agua de Los Brazos. The La Asociacion de Agua de Los Brazos is responsible for the Tier Verification, the State Funded Capital Outlay Expenditures and Reimbursements and Other (Items 1-7) for the year ended December 31, 2018 included in the accompanying information provided to us by the management of the La Asociacion de Agua de Los Brazos. 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. The procedures and associated findings (Results of Procedures Performed) are as follows:

The Contractor shall request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for the capital outlay award funds expended by the recipient that meet Tier 3 criteria.

1. Before beginning the procedures below, the IPA must verify the local public body's revenue calculation and tier determination using the form provided at www.osanm.org under "Financial Audits" and "What IPA Services are Required."

Results of Procedures Performed

We verified the LADADLB's revenue calculation and tier determination. The LADADLB's cash basis revenue was less than the **Tier 3** upper limit and expended at least 50% or the remainder of its capital outlay awards.

2. The Contractor shall test all state-funded capital outlay expenditures to:

Procedures

- 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 the cash 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- 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 Procedures Performed

- a) We determined that amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoices, purchase orders, contracts and cancelled check copies, as appropriate. There were two active projects. For Project 14-1666, we examined one disbursement for \$1,281.78. For Project 15-0531, we examined six disbursements totaling \$44,623.16.
- b) We determined that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) We determined that the request for proposal process, purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC).
- d) A large sum of the Capital Outlay funds was for engineering, water testing and backhoe work so, for those expenditures, we were unable to determine the physical existence of the capital asset based on expenditures to date. However, we did observe (by photograph) the funds spent for materials.
- e) We verified that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with accounting records and other supporting documentation.

3. Procedures

If the project was funded in advance, the Contractor shall 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 Procedures Performed

There were two projects. The projects were not intended to be funded in advance but on a reimbursement basis.

4. Procedures

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

Results of Procedures Performed

Project 14-1666 is complete and there is no unexpended balance but Project 15-0531 is not complete and there is an unexpended balance of \$5,376.84, both in agreement with the grantor.

5. Procedures

The Contractor shall 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 agreement.

Results of Procedures Performed

Since the projects were approved on a reimbursement basis, no separate fund or bank accounts were required.

6. Procedures

The Contractor shall determine whether reimbursement requests were properly supported by costs incurred by the recipient. The Contractor shall determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedures Performed

We determined that the reimbursement requests were properly supported and the LADADLB incurred costs prior to the submission of the request for funding from the New Mexico Environment Department. For Project 14-1666, we examined one reimbursement request for \$1,281.78. For Project, 15-0531, we examined six reimbursement requests totaling \$50,000.00. However, the final reimbursement request for \$5,376.84 was received and expended subsequent to December 31, 2018.

7. Other Procedures

If information comes to the Contractor's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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 (I) (3) (C) NMAC.

Results of Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts. However, see the Schedule of Findings and Responses for a noncompliance issue for a Late Report (Finding 2017-002 on page 5) and an internal control deficiency for an overpaid invoice (Finding 2017-001 on page 4). These two findings are repeat findings from the prior-year AUP and no action could be taken since the AUPs for the years ended December 31, 2017 and 2018 were performed at the same time. The Office of the State Auditor requires that repeated findings retain the same finding number until resolved.

* * * * *

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 a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, State-Funded Capital Outlay Expenditures and Reimbursements or Other for the La Asociacion de Agua de Los Brazos for the year ended December 31, **2018**, included in the accompanying information provided to us by management of the La Asociacion de Agua de Los Brazos. 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 La Asociacion de Agua de Los Brazos, the State Auditor's Office, the Department of Finance and Administration, Local Government Division and the NM Legislature and is not intended to be and should not be used by anyone other than the specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Tierra Amarilla, New Mexico 87575
June 6, 2019

STATE OF NEW MEXICO
 LA ASOCIACION DE AGUA DE LOS BRAZOS
 Agreed-Upon Procedures (Tier 3)
 For the Year Ended December 31, 2018

Exhibit A

Capital Outlay Project No.	Pay Request	Amount Awarded	Project Amount Requested/ Received	Project Amount Expended	Project Remaining Balance	Actual Legislation	Effective Dates
14-1666-STB		<u>\$ 30,000.00</u>					
	1		\$ 2,343.00	\$ 2,343.00	\$ 27,657.00		
	2		2,184.40	2,184.40	25,472.60	Laws of 2014, Chapter 66, Section 16, Paragraph 74, to plan, design and construct water system improvements for La Asociacion de Agua de los Brazos in Los Brazos in Rio Arriba county.	
	3		6,509.09	6,509.09	18,963.51		
	4		17,681.73	17,681.73	1,281.78		
	5F		<u>1,281.78</u>	<u>1,281.78</u>	<u>-</u>		Through 6/30/2018
			<u>\$ 30,000.00</u>	<u>\$ 30,000.00</u>	<u>\$ -</u>		
15-0531-STB		<u>\$ 50,000.00</u>					
	1		\$ 3,557.05	\$ 3,557.05	\$ 46,442.95		
	2		3,759.40	3,759.40	42,683.55	Laws of 2015, Chapter 3, Section 20, Paragraph 43, to plan, design and construct water system improvements for la asociacion de agua de los Brazos in Los Ojos in Rio Arriba county.	
	3		25,521.75	25,521.75	17,161.80		
	4		9,707.43	9,707.43	7,454.37		
	5		<u>2,077.53</u>	<u>2,077.53</u>	<u>5,376.84</u>		Through 6/30/2019
			<u>\$ 44,623.16</u>	<u>\$ 44,623.16</u>	<u>\$ 5,376.84</u>		

STATE OF NEW MEXICO
 LA ASOCIACION DE AGUA DE LOS BRAZOS
 Agreed-Upon Procedures (Tier 3)
 For the Year Ended December 31, 2018

Exhibit B

Grant No.	Pay Request	Request Date	Amount Awarded	Amount Requested/ Received	Date Received	Invoice Amount	Check Number	Check Date	Actual Amount Expended	Vendor Paid
14-1666			<u>\$30,000.00</u>							
	STB									
	1	5/8/2016		<u>\$2,343.00</u>	6/6/2016	<u>\$2,343.00</u>	195	6/7/2016	<u>\$2,343.00</u>	Iron Horse Company
	2	7/14/2016		<u>2,184.40</u>	8/15/2016	<u>1,640.10</u> <u>544.30</u>	192 226	5/19/2016 6/16/2016	<u>1,640.10</u> <u>544.30</u>	Iron Horse Company Los Ojos Water Association
				<u>2,184.40</u>		<u>2,184.40</u>			<u>2,184.40</u>	
	3	10/17/2016		<u>6,509.09</u>	11/3/2016	<u>727.48</u> <u>5,781.61</u> <u>-</u>	210 213 214	11/15/2016 11/21/2016 11/21/2016	<u>727.48</u> <u>5,337.90</u> <u>781.61</u>	NORA Electric Souder, Miller & Associates Souder, Miller & Associates
				<u>6,509.09</u>		<u>6,509.09</u>			<u>6,846.99</u>	
			2016 Total	<u>11,036.49</u>		<u>11,036.49</u>			<u>11,374.39</u>	
	4	9/5/2017	2017	<u>17,681.73</u>	9/26/2017	<u>17,681.73</u>	328	10/11/2017	<u>17,681.73</u>	Core & Main
	5F	3/12/2018	2018	<u>1,281.78</u>	3/19/2018	<u>1,281.78</u>	355	4/6/2018	<u>1,281.78</u>	Souder, Miller & Associates
			Total	<u>\$ 30,000.00</u>		<u>\$ 30,000.00</u>			<u>\$ 30,337.90</u>	
15-0531			<u>\$ 50,000.00</u>							
	STB									
	1	3/12/2018		<u>\$ 3,557.05</u>	3/19/2018	<u>\$ 3,557.05</u>	355	4/6/2018	<u>\$ 3,557.05</u>	Souder, Miller & Associates
	2	4/4/2018		<u>3,759.40</u>	4/13/2018	<u>3,759.40</u>	360	4/13/2018	<u>3,759.40</u>	Souder, Miller & Associates
	3	5/21/2018		<u>25,521.75</u>	6/3/2018	<u>25,521.75</u>	367	6/5/2018	<u>25,521.75</u>	Randy Terrazas
	4	6/22/2018		<u>9,707.43</u>	7/3/2018	<u>9,707.43</u>	372 373	7/8/2018 7/8/2018	<u>8,920.72</u> <u>786.71</u>	Souder, Miller & Associates Core & Main
	5	10/24/2018		<u>2,077.53</u>	11/23/2018	<u>2,077.53</u>	387	11/23/2018	<u>2,077.53</u>	Los Terrazas Utilities
	6	12/1/2018		<u>5,376.84</u>		<u>-</u>			<u>-</u>	
				<u>\$ 50,000.00</u>		<u>\$ 44,623.16</u>			<u>\$ 44,623.16</u>	

**STATE OF NEW MEXICO
LA ASOCIACION DE AGUA DE LOS BRAZOS**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Invoice Overpaid and Reimbursement Not Yet Requested	C	2017-001	2017-001
Late Report	D	2017-002	2017-002
Follow-up on Prior Year Findings:			
Invoice Overpaid and Reimbursement Not Yet Requested	C	2017-001	Revised Repeated
Late Report	D	2017-002	Revised Repeated

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
LA ASOCIACION DE AGUA DE LOS BRAZOS**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

2017-001 (Revised)

Invoice Overpaid and Reimbursement Not Yet Requested (Internal Control Deficiency)

Criteria

Proper internal accounting control requires that procedures be maintained to ensure that all payment amounts agree with the vendor's invoice. Also, in the case of an overpayment, reimbursement should be requested immediately.

Condition

La Asociacion de Agua de Los Brazos (LADADLB) overpaid \$337.90 on one invoice in November 2016 but has not yet requested reimbursement. This is a repeat finding from the prior-year AUP and no action could be taken since the AUPs for the years ended December 31, 2017 and 2018 were performed at the same time.

Cause

La Asociacion de Agua de Los Brazos (LADADLB) did not immediately recognize the error and request reimbursement.

Effect

La Asociacion de Agua de Los Brazos (LADADLB) has not followed proper internal accounting procedures and reduced their operating cash balance without cause.

Recommendation

We recommend that, in the future, La Asociacion de Agua de Los Brazos (LADADLB) maintain procedures that ensure payment amounts agree with the vendor's invoice. We further recommend that LADADLB immediately notify and seek reimbursement from the vendor.

Entity Response

"The Board President will ensure effective immediately that payments are reviewed by him or designee that the correct amount is disbursed and match the supporting invoice. The Board President and Treasurer will be responsible. An invoice has been created and submitted to the vendor for reimbursement of over payment."

**STATE OF NEW MEXICO
LA ASOCIACION DE AGUA DE LOS BRAZOS**

**Schedule of Findings and Responses
Year Ended December 31, 2018**

2017-002 (Revised)

Late Report (Noncompliance)

Criteria

Office of the State Auditor, Rule 2018, Section 2.2.2.16.G, states that local public bodies with other than a June 30 fiscal year-end must submit the agreed-upon procedures (AUP) report no later than five months after fiscal-year end.

Condition

La Asociacion de Agua de Los Brazos (LADADLB) has a December 31 year end but the agreed-upon procedures report for the year ended December 31, 2018 was submitted more than five months after fiscal-year end. This is a repeat finding from the prior-year AUP and no action could be taken since the AUPs for the years ended December 31, 2017 and 2018 were performed at the same time.

Cause

La Asociacion de Agua de Los Brazos (LADADLB) did not submit the recommendation or contract form to the State Auditor on a timely basis. The IPA recommendation was approved and contract signed in late May 2019.

Effect

La Asociacion de Agua de Los Brazos (LADADLB) has not complied with Office of the State Auditor, Rule 2018, Section 2.2.2.16.G.

Recommendation

We recommend that, in the future, La Asociacion de Agua de Los Brazos (LADADLB) complete the recommendation and contract forms and submit all agreed-upon procedures reports by the required deadlines.

Entity Response

“The Board will conduct a year-end financial review, tier determination and IPA selection (if needed) by March 31 each year. A procedural review and finalized reports will be submitted to the State Auditor in compliance with the State Audit Rule by May 31 each year. The Board President or his designee and the Treasurer will prepare the annual auditor recommendation which will be reviewed and approved by the Board.”

**STATE OF NEW MEXICO
LA ASOCIACION DE AGUA DE LOS BRAZOS
Exit Conference
Year Ended December 31, 2018**

EXIT CONFERENCE

The report contents were discussed in an exit conference held, in closed executive session, on June 6, 2019 with the following:

La Asociacion de Agua de Los Brazos

Manuel F. Valdez, President
Juanita Pino, Vice-President
Lily Lopez, Secretary
Sylvia Mercure, Treasurer
Guadalupe Mercure, Volunteer Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA