

## **Exhibit A**

### **Tier 5 Agreed-Upon Procedures**

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements.

**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." Include a statement documenting the reason for the Tier 5 engagement related to capital outlay: (a) Revenue, calculated on a cash basis, is >\$50,000 but < \$250,000 for the fiscal year; (b) Any capital outlay appropriation amounts were expended during the fiscal year.**

#### **2. Cash**

- 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 the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to Department of Finance and Administration-Local Government Division.
- c) Determine whether the local public body's financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by NMSA 1978, Section 6-10-17, NM Public Money Act, if applicable.

#### **3. Capital Assets**

Verify the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

#### **4. Revenue**

Identify the nature and amount of revenue from all 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 revenue equal to at least 30% of the total dollar amount and test 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.

Note: The sample must be representative of the population. If, in the auditor's professional judgment, sufficient test work is met before the 30% sample size the auditor shall appropriately document their professional judgement. If the auditor does not test the 30% sample size, the auditor must test a minimum of 40 transactions.

#### **5. Expenditures**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine the amount recorded as disbursed agrees to adequate supporting documentation. Verify the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

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- c) Determine 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 (NMSA 1978, Section 13-1-28 through 13-1-199) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population. If, in the auditor's professional judgment, sufficient test work is met before the 30% sample size the auditor shall appropriately document their professional judgement. If the auditor does not test the 30% sample size, the auditor must test a minimum of 40 transactions.

**6. Journal Entries**

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 policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

**7. Budget**

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- a) Verify, through a review of the minutes and correspondence, the original budget and subsequent budget adjustments were approved by the local public body's governing body and Department of Finance and Administration-Local Government Division.
- b) Determine if 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.

**8. Capital Outlay Appropriations**

The scope of the agreed-upon procedures engagement shall encompass all capital outlay funds as defined in Audit Rule (2.2.2.16 NMAC) that meet Tier 5 criteria. The intent of the capital outlay procedures is to ensure that 100% capital outlay expenditures, as defined in Audit Rule, have been tested at the completion of the project. Request and review all capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the definition in Audit Rule. Perform the following tests on all state-funded capital outlay expenditures:

- a) Determine the amount recorded as disbursed agrees to adequate supporting documentation. Verify amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine 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 (NMSA 1978, Section 13-1-28 through 13-1-199 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify status reports were submitted to the state agency charged with oversight per the terms of the agreement and verify the amounts in the status report agree with the general ledger and other supporting documentation.

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- f) 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.
- g) If the project is complete, determine if there is an unexpended balance and whether the agency was required to revert unexpended funds per statute and the agreement with the grantor.
- h) 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.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient.

**9. Other**

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 NMSA 1978, Sections 12-6-5 and 12-6-6. The findings must include all required content detailed in Section 2.2.2.10(L)(1)(d) NMAC.

**Report Requirements**

Prepare and submit to the Office of the State Auditor an agreed-upon procedures report that complies with AT-C Section 215. Additionally, the report shall include the following,

- a) Table of Contents.
- b) Official Roster.  
The procedures performed and the results of those procedures.
- c) The capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation for which there were expenditures during the fiscal year that meet the Tier 5 criteria.
- d) For each individual fund, a Schedule of Revenues and Expenditures – Budget and Actual. Each budgetary comparison must show the original and final appropriated budget (same as final budget approved by DFA), the actual amounts on the budgetary basis, and a column with the variance between the final budget and the actual amounts. The budgetary comparisons shall include the amount of prior-year cash balance required to balance the budget.
- e) Schedule of Findings and Responses.
- f) Exit conference information (Section 2.2.2.16(F)(3) NMAC).