

**OFFICE OF THE STATE AUDITOR
2011 AGREED UPON PROCEDURES**

Tier 3 of the Audit Act – Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (SSAEs), AT Section 201 for agreed-upon procedure engagements.

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."

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations that meet Tier 3 criteria. Testwork shall: (1) be applied to only capital outlay expenditures that meet the Tier 3 criteria; and (2) extend to the end of fieldwork.

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 the Tier 3 criteria.

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.
- b) Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 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.

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.

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.

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.

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.

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(I)(3)(C) NMAC.

7. Prepare and submit to the Office of the State Auditor an agreed-upon procedures report that complies with AICPA SSAE, AT Section 201. At a minimum, the report shall include the following,

- a) Table of Contents.
- b) Official Roster.
- c) The capital outlay amount awarded, amount received, amount expended, the remaining balance, and the

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actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

- d) The procedures performed and the results of those procedures.
- e) Schedule of Findings and Responses.
- f) Exit conference information (Section 2.2.2.10 (J)(1) NMAC).