

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**Abiquiu Mutual Domestic Water & Sewer Association**

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

**For the Fiscal Year Ended September 30, 2014**

**Abiquiu Mutual Domestic Water & Sewer Association**  
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**Fiscal Year Ended September 30, 2014**

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**Abiquiu Mutual Domestic Water & Sewer Association  
Official Roster  
Fiscal Year Ending September 30, 2014**

**Board of Directors**

Juan O. Lopez, President

Johnny E. Jaramillo, Vice-President

Delvin L. Garcia, Secretary

Virgil Trujillo, Treasurer

Velma F. Clevelle, Board Member

**Administrative Staff**

Ida Duran, Bookkeeper

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

Juan O. Lopez, President  
Abiquiu Mutual Domestic Water & Sewer Association  
and  
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Abiquiu Mutual Domestic Water & Sewer Association (Association) for the year ended September 30, 2014, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association'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. 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.

The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. The Association has one checking account, two savings accounts and two certificates of deposit at the Del Norte Credit Union in Los Alamos, NM.

- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger and supporting documentation. The ending balances on the bank reconciliations could not be traced to the financial reports submitted to DFA since the Association did not submit any reports to DFA for FY14. See Finding No. 2010-1.

- c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank balances were well below \$250,000 during the fiscal year.

## 2. Capital Assets

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

For the fiscal year ending September 30, 2014, the Association did not perform a capital asset inventory. See Finding 2010-2.

## 3. Revenues

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Association consist of water and sewer fees, new memberships and other miscellaneous receipts like interest income and reimbursements. The variances between the actual FY13 revenue and the FY14 revenue were adequately explained by the Association's bookkeeper; no unusual or unexplained variances were noted.

Tests of the actual revenue compared to budgeted revenue could not be performed since the Association did not prepare an official budget for FY14. See Finding No. 2010-1.

- b. Select a sample of revenues based on auditor judgment and test using the following attributes:

- i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts was judgmentally selected and tested which amounted to 60% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

#### 4. Expenditures

- a. Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to 65.2% of total expenditures. The amounts recorded as 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 Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in compliance with legal requirements and established policies and procedures. It could not be determined if the cash disbursements were authorized and approved in compliance with the budget since the Association did not prepare an official budget for FY14.

- iii. 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 13-1-199 NMSA 1978), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations.

## 5. Journal Entries

- a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

The Association's bookkeeper disclosed two non-routine journal entries that she posted to the Association's general ledger during the fiscal year. The first journal entry was posted to record a \$202.73 check returned from the bank for non-sufficient funds. The second journal entry was posted to reclassify \$36,112.14 of water sales revenue to sewer sales revenue. The journal entries were reasonable based on the explanations and documentation from the bookkeeper. No other non-routine journal entries were noted during the agreed-upon procedures.

- ii. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The non-routine journal entries posted by the bookkeeper were reviewed and approved by a member of the governing body.

## 6. Budgets

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- i. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

This procedure could not be performed since the Association did not prepare an official budget for FY14. See Finding 2010-1.

- ii. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

This procedure could not be performed since the Association did not prepare an official budget for FY14. See Finding 2010-1.

- iii. 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.

See Exhibit A on p. 11. The original and final budget amounts are not presented on this schedule since the Association did not prepare an official budget for FY14. Also, the year-end financial report submitted to DFA-LGD was not presented in this report since the Association did not submit any financial reports to DFA-LGD. See Finding 2010-1.

## 7. Other

- a. 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.

The Association did not submit the IPA Recommendation Form, Agreed-Upon Procedures contract, and this agreed-upon procedures report to the NM Office of the State Auditor by the required due dates. See Finding No. 2010-3.

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 4 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 and others with the Association, the New Mexico State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico 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

May 8, 2015



**Abiquiu Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending September 30, 2014**

**Status of Prior Year Findings**

Finding 2010-1. Repeated.

Finding 2010-2. Repeated.

Finding 2010-3. Repeated.

**Current Year Findings**

**Finding 2010-1. Non-compliance with Budget Laws and Regulations**

**Condition**

The Association did not prepare and submit its FY14 annual budget to the NM Department of Finance & Administration's Local Government Division (DFA-LGD) for review and approval by August 31, 2013. Also, the Association did not submit its FY14 quarterly financial reports to DFA-LGD as required.

**Criteria**

Pursuant to Section 6-6-2.A NMSA 1978, each local public body is required to furnish and file with DFA-LGD, on or before June 1 of each year, a proposed budget for the next fiscal year. Since the Association's fiscal year end is now on September 30, the Association is required to submit its proposed budget to DFA-LGD by August 31 of each year. Also, each local public body is required to submit quarterly financial reports and budget adjustments to DFA-LGD per Section 6-6-2.F and 6.6.2.G NMSA 1978, respectively. Furthermore, per Section 6-6-5 NMSA 1978, upon receipt of any budget approved by DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body.

**Effect**

For FY14, the Association was not in compliance with the State's budget laws and regulations.

**Cause**

The Association was not aware of the State of New Mexico's budget laws and reporting requirements for local governments which include Mutual Domestic Water Consumer Associations.

**Abiquiu Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending September 30, 2014**

Recommendation

The Association should adopt, approve and submit its annual budget for the next fiscal year to DFA-LGD by August 31 of each fiscal year. After the Association receives the budget certification letter from DFA-LGD, the Association's Board of Directors should make record of the approval in the minutes of its meetings. The Association should submit its budget adjustments and quarterly financial reports to DFA-LGD as required. The Association should develop and implement written policies and procedures to ensure that the budget laws and regulations are fully complied with in the future.

Management's Response

The Abiquiu MDWSA will adopt, approve and submit its annual budget for the next fiscal year to DFA-LGD by August 31. After the budget is approved by DFA-LGD, the Board of Directors will make record of the approval in the minutes of its meetings. The Association will also submit its financial reports to DFA-LGD on a quarterly basis.

**Finding 2010-2. Incomplete Capital Asset Inventory Listing and No Board Certification of Inventory at Fiscal Year-End**

Condition

For the fiscal year ending September 30, 2014, the Association did not perform and document a physical inventory of its capital assets.

For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets (tanks, wells, pumps, pump houses, distribution system, office equipment, etc.) should be recorded on the Association's capital asset listing. Also, the governing body of the Association did not certify the correctness of the capital asset inventory after the physical inventory was performed.

Criteria

Section 12-6-10.A NMSA 1978 states: "Annual Inventory. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness." Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

**Abiquiu Mutual Domestic Water Consumers Association**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending September 30, 2014**

Effect

The Association does not have a complete listing and an established carrying amount for the value of its capital assets as of September 30, 2014 which is useful for the Association to properly control, account for, and manage its capital assets.

Cause

The Association was not aware of the annual capital asset inventory laws and regulations.

Recommendation

At the end of each fiscal year, the Association should perform and document a complete physical inventory of its capital assets. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets (tanks, wells, pumps, pump houses, distribution system, equipment, etc.) should be recorded on the Association's capital asset listing. Also, the results of the inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Association. The Association should develop and implement written policies and procedures to perform the capital asset inventory on an annual basis, and record and account for its capital assets in accordance with state laws and regulations.

Management's Response

The Abiquiu MDWSA will perform and document a complete physical inventory of its capital assets which will include the required data. After the inventory is performed, the inventory listing will be certified as to correctness and signed by the governing body at the end of the fiscal year.

**Finding 2010-3. Late Submission of Firm Recommendation Form and Agreed-Upon Procedures Contract, and Late Agreed-Upon Procedures Report**

Condition

For the fiscal year ending September 30, 2014, the Association did not submit the Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until March 2015.

Also, the agreed-upon procedures report for the fiscal year ending September 30, 2014 was not submitted to the OSA by the due date of March 1, 2015.

**Abiquiu Mutual Domestic Water Consumers Association**  
**Schedule of Findings and Responses**  
**Fiscal Year Ending September 30, 2014**

Criteria

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, the Association should have submitted the completed Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures contract to the State Auditor by October 1, 2014.

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

Since the recommendation form and contract were submitted late, the agreed-upon procedures report was not submitted to the State Auditor by the required due date of March 1, 2015.

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

Cause

The Association was unaware of the State Auditor's contracting requirements for agreed-upon procedures, and therefore, did not comply with the requirements.

Recommendation

The Board of Directors and Bookkeeper of the Association 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, the Association shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC to determine what agreed-upon procedures or audits are required for the fiscal year. Since the Association's current fiscal year-end is September 30, the Association should take the necessary steps to ensure that future IPA recommendation forms and contracts are submitted to the State Auditor by October 1, and the agreed-upon procedures report by the following March 1.

Management's Response

The Abiquiu MDWSA will annually determine its total revenues to determine which agreed-upon procedures will be required and will then take the necessary steps to have the

**Abiquiu Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending September 30, 2014**

contract forms and the agreed-upon procedures report submitted to the State Auditor by October 1 and March 1 of the following year, respectively.

**Abiquiu Mutual Domestic Water and Sewer Association    Exhibit 1**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending September 30, 2014**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Water Sales	\$ -	\$ -	\$ 25,235	\$ 25,235
Sewer Sales	-	-	36,112	36,112
Other	-	-	-	-
Investments	-	-	148	148
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,495</b>	<b>\$ 61,495</b>
<b>Expenditures</b>				
<b>Current:</b>				
Contractual Services	\$ -	\$ -	\$ 27,989	\$ (27,989)
Computer/Software	-	-	361	(361)
Facilities and Equipment	-	-	626	(626)
NMFA Loan	-	-	8,362	(8,362)
Postage and Mailing	-	-	556	(556)
Printing, Faxing and Copying	-	-	11	(11)
Sewer Lab Tests	-	-	4,341	(4,341)
Sewer Supplies	-	-	20,414	(20,414)
Utilities	-	-	5,707	(5,707)
Water Supplies	-	-	53	(53)
Taxes and Fees	-	-	3,644	(3,644)
Travel and Meetings	-	-	1,650	(1,650)
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,715</b>	<b>\$ (73,715)</b>

**Abiquiu Mutual Domestic Water & Sewer Association**  
**Exit Conference**  
**Fiscal Year Ending September 30, 2014**

On May 8, 2015, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Canon MDWCA

Juan O. Lopez, President  
Ida Duran, Bookkeeper

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager