

State of New Mexico
Abiquiu Mutual Domestic Water & Sewer Association
2018 Tier 4 Agreed Upon Procedures Report
September 30, 2018

Abiquiu Mutual Domestic Water & Sewer Association

2018 Tier 4 Agreed Upon Procedures Report

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Abiquiu Mutual Domestic Water & Sewer Association

2018 Tier 4 Agreed Upon Procedures Report

Official Roster

As of September 30, 2018

Board of Directors

Juan O. Lopez, President

Delvin L. Garcia, Vice-President

Robin Dominguez, Secretary

Debbie Carrillo, Treasurer

Administrative Staff

Ida Duran, Bookkeeper

Independent Accountant's Report on Applying Agreed-Upon Procedures

Brian Colon
New Mexico State Auditor
and
Juan O. Lopez, President
Abiquiu Mutual Domestic Water & Sewer Association
Abiquiu, NM

We have performed the procedures enumerated below for the Abiquiu Mutual Domestic Water & Sewer Association (Association) for the year ended September 30, 2018, solely to assist in determining compliance with, and pursuant to, Tier 4 of the Audit Act (Section 12-6-1 et seq., 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. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

The Accountant verified the Association's calculation and determination as a Tier 4 agreed upon procedures engagement.

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.

The bank reconciliations were performed on monthly basis and bank statements for the fiscal year were complete and on-hand. We noted the August 2018 reconciliation for the checking account was completed more than 45 days after month end. See Finding 2017-001.

- 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 DFA-Local Government Division.

We tested 33.33% of bank reconciliations and found there were minor differences from the bank reconciliations to the general ledger balances for certain months we tested. For further details see the Schedule of Findings and Responses listed in the table of contents.
Finding 2017-001.

- 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.

3. 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, 2018, the Association performed and documented a capital asset inventory.

4. Revenues

Identify the nature and amount of revenue from 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.

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 actual revenue and budgeted revenue were adequately explained by the Association's bookkeeper and President; no unusual or unexplained variances were noted.

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

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

A sample of cash receipts (41.94%) was judgmentally selected and tested. The amount recorded in the general ledger agreed with 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.

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

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 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 equal to 30.48% of the total dollar amount were tested. The cash disbursements tested were supported with adequate documentation and recorded properly.

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

The disbursements tested were properly authorized and approved.

- 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 13-1-199 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. Payments for mileage were made in accordance with the Mileage Act.

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.

The journal entries posted were made to record NSF checks received and adjust revenue for the same amounts.

- 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.

*The Association has established policies and procedures that require journal entries be reviewed. However, there is no evidence that the reviews are being performed. See **Schedule of Findings and Responses. Finding 2017-003.***

7. Budgets

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, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

The original budget was adopted and approved by the Association's Board of Directors on September 24, 2017. The budget was approved by DFA-LGD on January 12, 2018. The Association did not process any budget adjustments during the fiscal year.

- b. Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

*Actual expenditures did not exceed the approved budget for the fiscal year ending September 30, 2018. See the **Schedule of Revenues and Expenditures - Budget and Actual** listed in the table of contents.*

- 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.

*See the **Schedule of Revenues and Expenditures - Budget and Actual** listed in the table of contents.*

8. 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 (L) NMAC.

We found that certain reports were not filed by the due dates and an issue with the maintenance of board meeting minutes. See the Schedule of Findings and Responses listed in the table of contents.

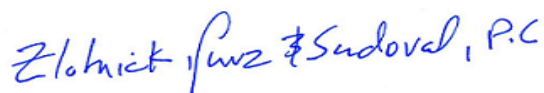
Finding 2010-001-Noncompliance with Budget Laws and Regulations

Finding 2017-002-Late Report

Finding 2018-001- Board Meeting Minutes

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 Revenues and Expenditures-Budget and Actual. 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 Abiquiu Mutual Domestic Water & Sewer 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, Laws & Sandoval, PC

May 31, 2019

Abiquiu Mutual Domestic Water & Sewer Association**2018 Tier 4 Agreed Upon Procedures Report****Schedule of Revenues and Expenditures – Budget to Actual****Non-GAAP Cash Basis****For the Fiscal Year Ended September 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water Fees	\$ 40,000	40,000	44,773	\$ 4,773
Sewer Fees	40,000	40,000	37,752	(2,248)
Other	-	-	1,191	1,191
Investments	-	-	173	173
Total Revenues	80,000	80,000	83,889	3,889
Cash Balance	58,461	58,461		
Total Resources	<u>\$ 138,461</u>	<u>138,461</u>	<u>83,889</u>	<u>\$ 3,889</u>
Expenditures				
Accounting Fees	\$ 4,500	4,500	3,523	\$ 977
Audit Fees	3,500	3,500	1,789	1,711
Outside Contract Services	4,500	4,500	4,477	23
Sewer Services	25,000	25,000	18,812	6,188
Water Services	2,500	2,500	-	2,500
Equipment Rental and Maintenance	1,000	1,000	-	1,000
Equipment	5,000	5,000	-	5,000
Rent	200	200	100	100
Office Equipment	2,500	2,500	-	2,500
Office Supplies	600	600	290	310
Software	700	700	210	490
Postage, Mailing Service	700	700	532	168
Printing, Faxing and Copying	250	250	-	250
Sewer Lab Tests	10,000	10,000	5,826	4,174
Sewer Supplies	25,000	25,000	17,604	7,396
Utilities	6,000	6,000	5,062	938
Water Equipment/Supplies	8,000	8,000	1,319	6,681
Permits	1,000	1,000	-	1,000
Regulations Fees	1,000	1,000	256	744
Penalty Fees	500	500	65	435
Travel/Per Diem	1,000	1,000	-	1,000
Registration Fees	1,000	1,000	-	1,000
Total Expenditures	<u>\$ 104,450</u>	<u>104,450</u>	<u>59,865</u>	<u>\$ 44,585</u>

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

Abiquiu Mutual Domestic Water & Sewer Association
2018 Tier 4 Agreed-upon Procedures Report


INSTRUCTIONS: Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.
Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.
Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. **THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.**
Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

MDWCA Name: NM3500221 Abiquiu Mutual Domestic Water Association
Mailing Address: P. O Box 133, Abiquiu NM 87510
Email Address:
Phone number: 505-685-4361

Final Report submitted to DFA

Calendar Year
2018

	APPROVED BUDGET	1st QR:	2nd QR:	3rd QR:	4th QR:	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning Balance	58,461							
Beginning Balance TOTAL	\$ 58,461							
REVENUES								
Water and Sewer Revenue	80,000	22,992	14,562	19,564	26,771	83,889	(3,889)	105%
						0	0	-
						0	0	-
						0	0	-
						0	0	-
TOTAL	\$ 80,000	22,992	14,562	19,564	26,771	83,889	(3,889)	105%
EXPENDITURES								
Accounting Fees	\$4,500	586	1,174	588	1,176	3,523	977	78%
Audit Fees	\$3,500				1,789	1,789	1,711	51%
Outside Contract Services	\$4,500	1,392	1,050	700	1,335	4,477	23	99%
Sewer Services	\$25,000	4,335	4,335	4,335	5,807	18,812	6,188	75%
Water Services	\$2,500					0	2,500	0%
Equip Rental and Maintenance	\$1,000					0	1,000	0%
Equipment	\$5,000					0	5,000	0%
Rent	\$200	100	70			170	30	85%
Office Supplies	\$600	53		8	158	220	380	37%
Office Equipment	\$2,500					0	2,500	0%
Software	\$700				210	210	490	30%
Postage, Mailing Service	\$700	302	230			532	168	76%
Printing, Faxing, and Copying	\$250					0	250	0%
Sewer Lab Tests	\$10,000	579	2,514	919	1,814	5,826	4,174	58%
Sewer Supplies	\$25,000	5,623	4,609	5,930	1,442	17,604	7,396	70%
Utilities	\$6,000	1,315	1,873	694	1,180	5,062	938	84%
Water Equipment/Supplies	\$8,000			461	858	1,319	6,681	16%
Permits	\$1,000					0	1,000	0%
Regulation Fees	\$1,000		256			256	744	26%
Penalty Fees	\$500	25		40		65	435	13%
Travel/Per Diem	\$1,000					0	1,000	0%
Registration Fees	\$1,000					0	1,000	0%
						0	0	-
						0	0	-
						0	0	-
Loans								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
TOTAL	\$104,450	14,309	16,110	13,676	15,769	69,865	44,585	57%
Ending Balance	34,011					82,485		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 34,011					\$ 82,485		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL
 Alberto B. Cavill
 Treasurer/Board Member Date Oct 28-18

See Independent Accountant's Report on Applying Agreed-upon Procedures

Schedule of Findings and Responses

Prior Year Findings:

<u>Finding</u>	<u>Status</u>
2010-001: Non-compliance with Budget Laws and Regulations	Revised and Repeated
2017-001: Bank Reconciliations	Revised and Repeated
2017-002: Late Report	Revised and Repeated
2017-003: Journal Entries	Revised and Repeated
2017-004: Expenditures	Resolved

Current year Findings:

2010-001 – Non-compliance with Budget Laws and Regulations – Noncompliance (Revised and Repeated)

Condition

The Association does not have adequate controls in place to ensure the timely filing of financial reports to the DFA. Management has made some progress since the finding was first reported with the FY2010 report. They have begun working with DFA to better understand the nature of the filings how to appropriately report to the DFA; however, they continue to be late in making the filings. The first, second and third quarter reports to DFA were not timely filed. The reports were all more than 30 days past due.

Criteria

NMSA 6-6-2 Local government division; powers and duties, grants the local government division of the department of finance and administration the power to require each local public body to file a proposed budget and periodic financial reports before a given deadline

Effect

Noncompliance with DFA reporting requirements.

Cause

The Association had not followed controls in place, or has circumvented controls, that ensure that all filings required by the local government division are submitted on time.

Recommendation

The Association needs to follow established controls to ensure deadlines are met.

Management Response

The management will work with bookkeeper to train Treasurer and other Board members to submit the DFA reports on a timely basis. This will be implemented for the next reporting cycle.

Schedule of Findings and Responses

2017-001 – Bank Reconciliations (Revised and Repeated)

Condition

We selected four (4) reconciliations out of the twelve (12) months in the fiscal year (33%) and found the following:

- The August 2018 bank reconciliation for the checking account was reconciled more than forty-five days after month end.
- The June 2018 bank reconciliation balance is \$13.25 higher than the general ledger balance for the same period for the checking account. There is an uncleared deposit of \$13.25 dated 2/28/2018 that is the difference.
- The June 2018 bank reconciliation balance for the checking account is \$3.02 higher than the general ledger balance.
- The July and June 2018 bank reconciliation differences noted above were reconciled with the completion of the August 2018 bank reconciliation.

The entity has made great progress in regard to the bank reconciliations.

Criteria

Good accounting policies and procedures require that bank reconciliations be performed on a timely basis and that reconciled balances on the reconciliation report agree with the general ledger balance.

Cause

It appears the balances were duplicate entries in the accounting software.

Effect

Amounts reported as cash balances in the Association financial statements are not correct.

Recommendation

We recommend that the Association reconcile the bank accounts soon after the month end. The Association has vastly improved the reconciliation process from the prior year.

Management Response

Bookkeeper will reconcile the bank statement within 10 days of receiving bank statement for approval by the Board of Directors at the next monthly **meeting and submit**. This will be implemented immediately.

Schedule of Findings and Responses

2017-002 Late Report – Noncompliance (Revised and Repeated)

Condition

The 2018 Tier 4 Agreed Upon Procedures Report was submitted after the due date.

The Board has designated the Treasurer and Secretary as the individuals responsible for procuring an Independent Accountant in a timely manner to ensure the Agreed-upon Procedures report is submitted by the deadline. This was implemented immediately.

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 completion and submission of the report that insure timely reporting and compliance with NMAC 2.2.2.

Management Response:

Management is aware of the dates and will work towards ensuring timely completion and submittal of the report as of this year. The Treasurer and Secretary will ensure an Independent Accountant is contracted soon after the year end so that the AUP report is submitted on time.

Schedule of Findings and Responses

2017-003 – Journal Entries (Revised and Repeated)

Condition

There were 3 journal entries posted to the Association accounting system during the year, mostly made by its bookkeeper to record NSF checks received. There was no evidence that the journal entries are being reviewed.

The Board established a policy for the review of journal entries. They have not been consistent in retaining evidence that the journal entries were reviewed. The Board has implemented a method of retaining evidence of journal entry review as of the date of the exit conference.

Criteria

Proper accounting controls require that knowledgeable individuals review and approve journal entries posted in the accounting system for propriety.

Effect

Journal entries could be posted in error or in a malicious manner without management's knowledge.

Cause

The Association is not following its established policy of documenting approval of journal entries.

Recommendation

We recommend that the Association follow its policy and procedures to review and approve journal entries and maintain proper supporting documentation for all journal entry approvals.

Management Response

All journal entries have been sent to the auditor including the one that was initiated after the policy was in effect. The bookkeeper will present the journal entries to the board for approval at the meeting following the month the journal entries were posted to the accounting records. This process will be implemented immediately.

Schedule of Findings and Responses

2018-001- Board Meeting Minutes (Noncompliance)

Condition

The Board could not provide the minutes to the meeting for the months of November 2017, December 2017, January 2018, February 2018, March 2018 and April 2018.

Criteria

The Open Meeting Act (NMSA 1978, 14-2-1 to -12) requires that all public bodies in New Mexico conduct business in an open meeting that can be attended by the public. The Act sets out requirements for the meeting notice, agenda, and minutes. The law requires the Board to keep minutes of all meetings and shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted.

Cause

Unknown.

Effect

The Board is not in compliance with the Open Meetings Act.

Recommendation

We recommend the Board establish a policy to ensure that Board minutes are documented and kept in a central location to ensure they are available for inspection.

Management Response

Management's policy is to save electronically, as well as hard copy, and the documentation is now being stored in a central Association office. The Secretary of the board will ensure the minutes are available for public inspection. This process will be implemented immediately.

Abiquiu Mutual Domestic Water & Sewer Association

2018 Tier 4 Agreed Upon Procedures Report

Exit Conference

On June 14, 2019, 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:

Abiquiu Mutual Domestic Water & Sewer Association

Juan Lopez	Board President
Robin Dominguez	Board Secretary
Debbie Carrillo	Board Treasurer
Ida Duran	Contract Bookkeeper
Virginia Lopez	Assistant Bookkeeper

Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA	Principal
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