

State of New Mexico
Abiquiu Mutual Domestic Water & Sewer Association
2017 Tier 4 Agreed Upon Procedures Report
September 30, 2017

Abiquiu Mutual Domestic Water & Sewer Association

2017 Tier 4 Agreed Upon Procedures Report

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Abiquiu Mutual Domestic Water & Sewer Association

2017 Tier 4 Agreed Upon Procedures Report

Official Roster

As of September 30, 2017

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

Wayne Johnson
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, 2017, 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 December 2016 reconciliation for the CD was completed at least 60 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 differences from the bank reconciliations to the general ledger balances for the 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, 2017, 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 (35.50%) 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 35.52% of the total dollar amount were tested. There were certain disbursements that did not contain adequate supporting documentation. **See the Schedule of Findings and Responses** listed in the Table of Contents. **Finding 2017-004.***

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

*Certain disbursements were made without adequate supporting documentation. **See the Schedule of Findings and Responses** listed in the Table of Contents. **Finding 2017-004.***

- 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 **does not** have established policies and procedures that require journal entries be reviewed. **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 25, 2016. The budget was approved by DFA-LGD on June 22, 2017. 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, 2017. **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

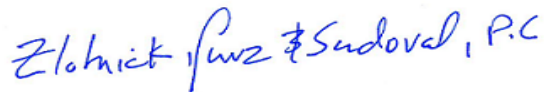
- a. If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (L) NMAC.

We found that certain reports were not filed by the due dates. See the Schedule of Findings and Responses listed in the table of contents.

Finding 2010-001-Noncompliance with Budget Laws and Regulations and, Finding 2017-002-Late Report.

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

August 17, 2018

Abiquiu Mutual Domestic Water & Sewer Association**2017 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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Water Fees	\$ 40,000	40,000	41,255	\$ 1,255
Sewer Fees	40,000	40,000	33,849	(6,152)
Other	2,850	2,850	1,695	(1,155)
Investments	150	150	111	(39)
Total Revenues	<u>83,000</u>	<u>83,000</u>	<u>76,909</u>	<u>(6,091)</u>
Cash Balance	<u>39,150</u>	<u>39,150</u>		
Total Resources	<u>\$ 122,150</u>	<u>122,150</u>	<u>76,909</u>	<u>\$ (6,091)</u>
Expenditures				
Accounting Fees	\$ 4,500	4,500	4,041	\$ 459
Audit Fees	3,500	3,500	2,600	900
Outside Contract Services	4,000	4,000	4,500	(500)
Sewer Services	25,000	25,000	21,557	3,443
Water Services	2,500	2,500	980	1,520
Equipment Rental and Maintenance	1,550	1,550	-	1,550
Equipment	5,000	5,000	-	5,000
Rent	200	200	100	100
NMFA Loan Payments	8,300	8,300	68	8,232
Office Supplies	500	500	354	146
Accounting Software	450	450	-	450
Postage, Mailing Service	700	700	349	351
Printing, Faxing and Copying	250	250	-	250
Sewer Lab Tests	10,000	10,000	3,912	6,088
Sewer Supplies	27,000	27,000	20,868	6,132
Utilities	5,000	5,000	4,405	595
Permits	1,000	1,000	-	1,000
Regulations Fees	1,000	1,000	727	273
Penalty Fees	2,000	2,000	-	2,000
Travel/Per Diem	2,000	2,000	192	1,808
Registration Fees	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Expenditures	<u>\$ 106,450</u>	<u>106,450</u>	<u>64,654</u>	<u>\$ 41,796</u>

Abiquiu Mutual Domestic Water & Sewer Association
2017 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: NM3600221 Abiquiu Mutual Domestic Water Association
Mailing Address: P. O Box 133, Abiquiu NM 87610

Email Address:
Phone number: 505-885-4361

FINAL REPORT SUBMITTED TO DFA-LGD

Calendar Year 2017
Fiscal Year 2017

	APPROVED BUDGET	1st QR:	2nd QR:	3rd QR:	4th QR:	Year to Date(YTD) Totals	YTD (over/under BUDGET)	% of Budget
Beginning Balance								
18 Month	31,335							
Express Checking	14,001							
Savings	5							
Beginning Balance TOTAL	\$ 45,341							
REVENUES								
Water and Sewer Revenue	83,000	17,222	23,984	17,511	18,940	77,657	5,343	94%
						0	0	-
						0	0	-
						0	0	-
						0	0	-
TOTAL	\$ 83,000	17,222	23,984	17,511	18,940	77,657	5,343	94%
EXPENDITURES								
Accounting Fees	\$4,500	584	1,700	586	1,172	4,041	459	90%
Audit Fees	\$3,500		2,600			2,600	900	74%
Outside Contract Services	\$4,000	2,300	1,050	450	700	4,500	(500)	113%
Sewer Services	\$25,000	4,334	7,622	5,269	4,333	21,557	3,443	86%
Water Services	\$2,500	290	490	200		980	1,520	39%
Equip Rental and Maintenance	\$1,550					0	1,550	0%
Equipment	\$5,000					0	5,000	0%
Rent	\$200	100				100	100	50%
Loan	\$8,300	1,312	(1,244)			88	8,232	1%
Office Supplies	\$500	137	50	95	72	354	146	71%
Accounting Software	\$450					0	450	0%
Postage, Mailing Service	\$700	39	193			232	468	33%
Printing, Faxing, and Copying	\$250					0	250	0%
Sewer Lab Tests	\$10,000	1,179	1,089	778	865	3,912	6,088	39%
Sewer Supplies	\$27,000	3,198	5,020	5,583	6,844	20,643	6,357	76%
Utilities	\$5,000	1,070	1,154	1,175	1,007	4,405	595	88%
Water Supplies		225				225		
Permits	\$1,000					0	1,000	0%
Regulation Fees	\$1,000	189	502	10		701	299	70%
Penalty Fees	\$2,000		27			27	1,973	1%
Travel/Perdiem	\$2,000			117		117	1,883	6%
Registration Fees	\$2,000		75			75	1,925	4%
						0	0	-
						0	0	-
						0	0	-
TOTAL	\$ 106,450	14,955	20,328	14,262	14,992	64,538	42,138	61%
Ending Balance	21,891					58,461		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 21,891					\$ 58,461		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT

Robert Deming
Treasurer/Board Member Date *10/22/17*
Surya

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

Current year Findings:

2010-001 – Non-compliance with Budget Laws and Regulations – Noncompliance

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 reports for the first three quarters were not filed until September 2017 near the fiscal year end.

The final budget report submitted to DFA does not agree with the total amounts reported in the Schedule of Revenue and Expenditures-Budget to Actual included in this report. The Revenues were overstated by \$748 and the Expenditures were understated by \$116.

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. Final reports filed must agree with the books and records.

Effect

Noncompliance with DFA reporting requirements.

Cause

The Association had not followed controls in place, or has circumvented controls, that insure 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. Final reports should agree with final reconciled balances from the Association's accounting records.

Management Response

We agree with the above recommendation and will implement controls to ensure the timely filing of reports to DFA. The Board will work with the bookkeeper to formalize a process to ensure timely filings as well as have the Treasurer learn the system as part of the duties and responsibilities. Management will also ensure that reports submitted to DFA agree with the financial records. This implementation will occur immediately.

Schedule of Findings and Responses

2017-001 – Bank Reconciliations

Condition

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

- The December 2016 bank reconciliation for the checking account did not agree with the general ledger balance. The reconciled balance was \$5,542.25 compared to the general ledger balance of \$7,065.83 resulting in a difference of \$1,523.58. In addition, the bank reconciliation reflects uncleared deposits totaling \$209.42 which were made via General Journal Entry back in 2015.
- The December 2016 bank reconciliation for the Certificate of Deposit did not agree with the general ledger balance. The reconciled balance was \$31,291.83 compared to the general ledger balance of \$31,318.54 resulting in a difference of \$26.71. In addition, the bank reconciliation reflects uncleared deposits of \$35.86 which appear to be duplicate entries for interest earned. The reconciliation was also performed at least 60 days after month end.
- The March 2017 bank reconciliation for the checking account did not agree with the general ledger balance. The reconciled balance was \$8,558.03 compared to the general ledger balance of \$10,006.61 resulting in a difference of \$1,448.58. The reconciliation still contained uncleared deposits of \$209.42 mentioned above.
- The March 2017 bank reconciliation for the Certificate of Deposit contained uncleared items totaling \$35.86 which appear to be duplicate entries for interest earnings. These items overstate the general ledger balance by the same amount.
- The June 2017 bank reconciliation for the checking account did not agree with the general ledger balance. The reconciled balance was \$11,684.38 compared to the general ledger balance of \$13,200.00 resulting in a difference of \$1,515.62. The reconciliation also contains uncleared items of \$217.38 from entries made in 2015 and 2016 and overstate the reconciled cash balance.
- The June 2017 bank reconciliation for the Certificate of Deposit contained uncleared items totaling \$35.86 which appear to be duplicate entries for interest earnings from 2015 and 2016. These items overstate the general ledger balance by the same amount.
- The September 2017 bank reconciliation for the checking account did not agree with the general ledger balance. The reconciled balance was \$15,022.00 compared to the general ledger balance of \$15,616.71 resulting in a difference of \$594.71. In addition, the reconciliation report shows \$217.38 of uncleared entries from 2015 and 2016 causing the reconciled balance to be overstated by these amounts.
- The September 2017 bank reconciliation for the Certificate of Deposit contained uncleared items totaling \$35.86 which appear to be duplicate entries for interest earnings from 2015 and 2016. These items overstate the general ledger balance by the same amount.

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.

Schedule of Findings and Responses

2017-001- continued

Cause

It appears the beginning balances were not correct when the Association posted entries into the accounting software.

Effect

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

Recommendation

We recommend that the Association investigate the differences in cash balance and make the appropriate adjustments to report the correct amounts in the financial statements issued to the Board of Directors and DFA-LGD.

Management Response

The Board of Directors will work with the bookkeeper to ensure timely bank reconciliations are completed and General Ledger reports are in balance with the bank reconciliations. The Board will implement a process wherein the bookkeeper will provide the bank reconciliations and General Ledger reports and the Board of Directors will review and ensure the bank reconciliations are completed and in balance with the General Ledger. This process has been implemented. The bank reconciliations for August 31, 2018 agree with balances in the general ledger as a result of implementing the changes.

Schedule of Findings and Responses

2017-002 Late Report – Noncompliance

Condition

The 2017 Tier 4 Agreed Upon Procedures Report was submitted after the due date.

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:

The Board of Directors was on a learning curve to working with the software via the Office of the State Auditor and will strive to ensure all deadlines are met and remain in compliance. The implementation of this will occur immediately.

Schedule of Findings and Responses

2017-003 – Journal Entries

Condition

There were 7 journal entries posted to the Association accounting system during the year, mostly made by its bookkeeper to record NSF checks received. The Association currently does not have a policy or procedures in place to review and approve journal entries.

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 had not considered the need to establish a policy for journal entry review and approvals.

Recommendation

We recommend that the Association establish a policy and procedures to review and approve journal entries and maintain proper supporting documentation for all journal entries posted to the accounting system.

Management Response

A policy has been reviewed and approved by the Board of Directors for journal entries. The review and approval of journal entries will begin immediately.

Schedule of Findings and Responses

2017-004 – Expenditures

Condition

We reviewed 31 cash disbursements totaling \$22,923 (35.52%) and found the following:

- 2 payments of \$700 each made to contractor for work at Association facility, but contract agreement is not detailed enough to determine what work was performed.
- 1 payment of \$250 made to contractor, however the service provided is not specified and could not confirm the payment amount because supporting documentation was not available.
- Payments made to bookkeeper were supported with invoices, however there is no written agreement on file that describes how the amount paid is determined.
- Payment to vendor in the amount of \$225.36 was listed as paid to Hacienda in QuickBooks accounting software. The support on file for the payment was for Hall Environmental. It appears the vendor data entry into QuickBooks was incorrect.
- No supporting invoice on file for fee paid to NM Environment Department in the amount of \$460. Staff obtained support after AUP was in process.

The approval for payments were mentioned in the minutes or other documentation.

Criteria

Cash disbursements should be properly recorded as to vendor, amount, account, and period. Arrangements with contractors should be in writing and the agreement should be in enough detail to disclose the work to be performed and the fee amount. Adequate supporting documentation should be retained on file to support the payments made.

Effect

The Association is unable to provide complete and detailed expenditure information and support when it does not retain agreements and supporting invoices on file for public inspection.

Cause

Unknown.

Recommendation

The Association should obtain complete and detailed contracts/agreements with vendors that clearly indicate the service provided to the Association. In addition, the expenditures need to be supported by vendor invoices and retained on file.

Management Response

The Board will immediately request for detailed contracts/agreement to be initiated yearly with vendors, each invoice will indicate the service provided, and all invoices and carbon check register will be maintained by the Treasurer as a dual backup and review for each transaction paid and quarterly cursory review of same. The Board will maintain minutes of all invoices paid out per month. This implementation will begin immediately.

Abiquiu Mutual Domestic Water & Sewer Association

2017 Tier 4 Agreed Upon Procedures Report

Exit Conference

On September 14, 2018, 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
Ida Duran	Contract Bookkeeper

Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA	Principal
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