



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
www.mgandc.com

STATE OF NEW MEXICO

**ALCALDE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 5)

Year Ended December 31, 2017

STATE OF NEW MEXICO

ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

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**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

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**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Official Roster
at December 31, 2017**

<u>Name</u>		<u>Title</u>
<u>Commissioners</u>		
Alfredo Montoya		Chairman
David Archuleta		Secretary
Elaine Martinez		Treasurer
Therese Martinez		Member
Matthew Valdez		Member
<u>Staff</u>		
Matthew Valdez		Water System Operator



Macias, Gutierrez
& Co., P.C.

Certified Public Accountants
Member AICPA, NMSCPA

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
Fax 505.747.4417

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 5)

To: Alfredo Montoya, Chairman
Alcalde Mutual Domestic Water Consumers Association #3009
and
Wayne A. Johnson
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Alcalde Mutual Domestic Water Consumers Association (AMDWCA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations and Other as of and for the year ended **December 31, 2017**, included in the accompanying information provided to us by management of the AMDWCA. The Alcalde Mutual Domestic Water Consumers Association is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations and Other as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the AMDWCA. The sufficiency of these procedures is solely the responsibility of those 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 the associated 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."

We verified AMDWCA's revenue calculation and tier determination. Alcalde Mutual Domestic Water Consumers Association's cash basis revenue was between the **Tier 5** lower and upper limits and had expended either the total or a portion of its state capital outlay appropriations.

2. Cash

Procedures

- 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 the Department of Finance and Administration, Local Government Division (DFA-LGD).
- 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.

Results of Procedures Performed

- a) The AMDWCA pays a fee accountant, who uses Intuit-EasyACCT trial balance software, to record cash transactions, make journal entries and prepare monthly bank reconciliations and monthly financial statements. At year-end, the AMDWCA has one checking account, one savings account and one certificate of deposit (CD). Bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year. The bank only provides a statement on the CD annually when it matures.
- b) We tested 33% of all bank reconciliations that revealed no exceptions. Required quarterly financial cash reports were submitted to DFA-LGD during the year and at year-end, we traced the ending balances to those reports.
- c) Cumulative bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on uninsured balances at any time during the year.

3. Capital Assets

Procedures

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

Results of Procedures Performed

There was no evidence that the AMDWCA has a capital asset listing, other than the Asset/Depreciation Report maintained by the fee accountant nor was there evidence that a yearly inventory was performed as required by Section 12-6-10 NMSA, 1978 (See Finding 2017-002 on p 9.

4. Revenue

Procedures

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.

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.

Results of Procedures Performed

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) We requested supporting documentation for ten (10) summary deposits (71% of total revenue) from a total of 18 summary deposits for the year. Amounts recorded on Intuit-EasyACCT financial statements and general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, without exception.

- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation, without exception.

5. Expenditures

Procedures

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 the vendor's invoice, purchase order, contract and check clearing amount (cancelled checks not returned), as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance 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 (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures Performed

- a) We requested supporting documentation for 25 disbursements (72% of total expenditures) from a total of 107 disbursements for the year. Except as described below, amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate. Our tests of transactions revealed that 16 of the 25 amounts recorded as disbursed agreed to supporting documentation, with no exceptions. However, for the remaining 9 disbursements (7,914.02), an invoice was not available to review. (See Finding 2010-4, on p. 6.
- b) For 21 of the 25 disbursements tested, we could not determine that the disbursements were properly authorized (52,318.24) and approved in compliance with the budget, legal requirements and established policies and procedures. (See Finding 2010-4 on p. 6)
- c) The bid process or request for proposal process, purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

6. Journal Entries

Procedures

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

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedures Performed

- a) The Acequia's fee accountant prepares, on a monthly basis, routine journal entries to record interest income earned for the month, entries to reclassify gross receipts tax from water revenue and entries to record returned checks. Journal entries appear reasonable and have supporting documentation.

- b) The Acequia does not have procedures that require journal entries to be reviewed or approved. There is no evidence that the journal entries are being reviewed or approved. (See finding 2010-4 on p. 6)

7. Budget

Procedures

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

- 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.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, 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.

Results of Procedures Performed

- a) We determined that the AMDWCA submitted a 2017 budget to DFA-LGD that was approved by the governing body and the DFA/LGD. There were no subsequent budget adjustments.
- b) Total actual expenses did not exceed the preliminary budget by at the total fund level, the legal level of budgetary control.
- c) The AMDWCA prepared and submitted to DFA-LGD a Profit and Loss Budget vs. Actual for the year ended December 31, 2017 (herein Exhibit B). However, one of the amounts shown in the budget column on that report do not agree with the approved budget amounts. (See Finding 2016-001 on p. 7) A schedule of revenues and expenses – budget and actual was prepared from AMDWCA records on the accrual budgetary basis. This schedule is included herein as Exhibit A.

8. Capital Outlay Appropriations

The Contractor shall request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the year.

The Contractor shall test all capital outlay expenditures during the fiscal year to:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance 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 (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 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.
- f) If the project was funded in advance, the Contractor shall 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, the Contactor shall determine if there is unexpended balance and whether it was reverted per statute and 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 agreement.
- i) 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.

Results of Procedures Performed

- a) We determined that amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoices, purchase orders, contracts and cancelled checks, as appropriate. There were three active projects. For Project 14-1669-STB, we examined three disbursements totaling \$91,969.87. For Project 15-0529, we examined one disbursement for \$15,000.00. For Project 16-A2280, we examined four disbursements totaling \$34,925.10.
- b) We determined that disbursements were properly authorized and approved in compliance with the capital outlay award budget, legal requirements and established policies and procedures.
- c) We determined that the bid process or request for proposal process, purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).
- d) Since the projects consisted of only engineering and underground work, we were unable to determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) We verified that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the excel spreadsheets and other supporting documentation.
- f) The three projects were not intended to be funded in advance but on a reimbursement basis.
- g) As of December 31, 2017, Projects 14-1669 and 15-0529 are complete and there are no unexpended balances in agreement with the grantor. However, Project 16-A2280 is not complete and there is an unexpended balance of \$15,074.90 in agreement with the grantor.
- h) Since the projects were approved on a reimbursement basis, no separate fund or bank account were required.
- i) We determined that reimbursement requests were properly supported by costs incurred by the recipient and that the costs were paid by the local public body prior to the request for reimbursement. For Project 14-1669-STB, we examined three reimbursement requests totaling \$71,142.61. For Project 15-0529, we examined one reimbursement request for \$15,000.00. For Project 16-A2280, we examined two reimbursement requests totaling \$34,925.10.

9. Other

Procedures

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.

Results of Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts. However, see the Schedule of Findings and Responses for internal control deficiency issues related to Lack of Segregation of Duties (Finding 2010-4 on p. 6), and noncompliance issues related to Budget Noncompliance (Finding 2016-001 on p. 7), Late Report (Finding 2017-001 on p. 8) and Capital Asset Inventory (Finding 2017-002 on page 9).

* * * * *

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 Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations and Other of the Alcalde Mutual Domestic Water Consumers Association as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the AMDWCA. 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 Alcalde Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Española, New Mexico
June 12, 2018

STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Accrual Basis)
Year Ended December 31, 2017

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Sales (Water User Fees)	\$ 125,000	\$ 125,000	\$ 130,738	\$ 5,738
Connection/Reconnection Charges	-	-	2,000	2,000
Membership and Meter Sales	-	-	2,550	2,550
Interest Income	250	250	125	(125)
Other Operating Revenue	-	-	141,895	141,895
Total revenues	<u>125,250</u>	<u>125,250</u>	<u>277,308</u>	<u>152,058</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>125,250</u>	<u>125,250</u>	<u>277,308</u>	<u>152,058</u>
Expenses:				
Salaries - Operator, Bookkeeper, etc.	16,800	16,800	16,800	-
Employee Benefits and Expenses	1,342	1,342	1,443	(101)
Electricity	24,000	24,000	22,232	1,768
Other Utilities - Gas, Water, Sewer, Telephone	-	-	-	-
System Parts and Supplies	17,500	17,500	15,393	2,107
System Repairs and Maintenance	9,000	9,000	11,495	(2,495)
Vehicle Expenses	-	-	-	-
Office and Administrative Expenses	3,020	3,020	2,783	237
Professional Services - Accounting, Engr., Legal	36,840	36,840	23,539	13,301
Insurance	4,400	4,400	3,823	577
Dues, Fees, Permits and Licenses	980	980	183	797
Taxes - Gross Receipts Tax, Water Cons. Fee	600	600	495	105
Training	-	-	-	-
Miscellaneous	3,100	3,100	3,684	(584)
Total expenses	<u>117,582</u>	<u>117,582</u>	<u>101,870</u>	<u>15,712</u>
Excess revenues over (under) expenses	<u>\$ 7,668</u>	<u>\$ 7,668</u>	<u>\$ 175,438</u>	<u>\$ 167,770</u>

MDWCA Name:
Mailing Address:
Email Address:
Phone number:

ALCALDE MDWCA

Calendar Year
2017

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning balances:								
Cash	35,666							
Savings	85,690							
CDs	21,436							
Investments								
Beginning Balance TOTAL	\$ 142,792							
REVENUES								
Water Sales (Water Use Fees)	125,000	25,820	37,789	37,622	29,507	130,737	(5,737)	105%
Connection/Reconnection Charges	200	200	1,800	0	0	2,000	(1,800)	1000%
Membership and Meter Sales (Utility Service Fees)		2,550	0	0	0	2,550	(2,550)	-
Late Fees and Penalties (Other Fines and Forfeits)		0	0	0	0	0	0	-
Gross Receipts Tax (Other State shared taxes)		0	0	0	0	0	0	-
Other Operating Revenue (miscellaneous - other)		113,218	28,707	80	15	142,021	(142,021)	-
TOTAL	\$ 125,200	141,788	68,296	37,702	29,522	277,308	(152,108)	221%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	16,800	4,200	4,200	4,200	4,200	16,800	0	100%
Employee Benefits and Expenses	1,342	373	352	378	339	1,443	(101)	108%
Electricity	24,000	4,381	4,110	6,710	7,031	22,232	1,768	93%
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
System Parts and Supplies	17,500	3,460	4,123	4,084	3,726	15,393	2,107	88%
System Repairs and Maintenance	9,000	1,864	300	9,332	0	11,495	(2,495)	128%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	3,020	1,051	566	418	748	2,784	236	92%
Professional Services - Accounting, Engineering, Legal	36,840	4,760	8,631	5,157	4,991	23,539	13,301	64%
Insurance	4,400	0	3,823	0	0	3,823	577	87%
Dues, Fees, Permits and Licenses	980	86	96	0	0	183	797	19%
Taxes - Gross Receipts Tax, Water Conservation Fee	600	243	0	252	0	495	105	83%
Training		0	0	0	0	0	0	-
Miscellaneous	3,100	81	3,440	57	105	3,684	(584)	119%
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 117,582	20,501	29,641	30,588	21,141	101,870	15,712	87%
Ending Balance	150,410					318,230		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve						183,418		
Debt Reserve								
Ending Available Cash Balance	\$ 150,410					\$ 134,812		

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

 President/Chairperson

 Date

STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Projects Schedule - Summary
Year Ended December 31, 2017

Exhibit C

Grant No.	Pay Request	Amount Awarded	Cumulative Amount Received	Cumulative Amount Expended	Remaining Balance	Actual Legislation	Effective Dates
14-1669-STB		\$ 125,000.00					
	1		\$ 6,732.08	\$ 6,732.08	\$ 118,267.92	Laws of 2014, Chapter 66, Section 16, Item 77, to design and construct a water well for the Alcalde mutual domestic water consumers and sewer works association in Rio Arriba county.	Through 6/30/2018
	2		26,298.05	26,298.05	91,969.87		
	3		20,827.26	20,827.26	71,142.61		
	4		66,722.58	66,722.58	4,420.03		
	5		<u>4,420.03</u>	<u>4,420.03</u>	<u>-</u>		
			<u>\$ 125,000.00</u>	<u>\$ 125,000.00</u>	<u>\$ -</u>		
15-0529-STB		\$ 15,000.00					
	1		<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>	<u>\$ -</u>	Laws of 2015, Chapter 3, Section 20, Item 41, to plan, design, construct and equip water system improvements for the Alcalde mutual domestic waters consumers and mutual sewage works association in Rio Arriba county.	Through 6/30/2019
16-A2280-STB		\$ 50,000.00					
	1		\$ 10,653.47	\$ 10,653.47	\$ 39,346.53	Laws of 2016, Chapter 81, Section 18, Item 48, to plan, design and construct a well, pump house and water treatment system for the Alcalde mutual domestic water consumers' and mutual sewage works association in Rio Arriba county.	Through 6/30/2020
	2		<u>24,271.63</u>	<u>24,271.63</u>	<u>15,074.90</u>		
			<u>\$ 34,925.10</u>	<u>\$ 34,925.10</u>	<u>\$ 15,074.90</u>		

STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Projects Schedule - Detail
Year Ended December 31, 2017

<u>Grant No.</u>	<u>Pay Request</u>	<u>Request Date</u>	<u>Amount Awarded</u>	<u>Amount Received</u>	<u>Date Received</u>	<u>Check Date</u>	<u>Check Number</u>	<u>Amount Expended</u>	<u>Vendor Paid</u>
14-1669-STB			\$ 125,000.00						
	1			\$ 6,732.08				\$ 6,732.08	Souder, Miller Engineering
Subtotal 2015				6,732.08				6,732.08	
	2	1/15/2016		26,298.05	2/18/2016	2/23/2016	3574	26,298.05	Souder, Miller Engineering
Subtotal 2016				26,298.05				26,298.05	
	3	12/27/2016		20,827.26	1/8/2017	1/10/2017	3675	20,827.26	Souder, Miller Engineering
	4	2/21/2017		66,722.58	3/7/2017	3/22/2017	3898	66,722.58	Hydro Geologic Service
	5	4/11/2017		4,420.03	5/1/2017	5/18/2017	3713	4,420.03	Hydro Geologic Service
Subtotal 2017				91,969.87				91,969.87	
Total				\$ 125,000.00				\$ 125,000.00	
15-0529-STB			\$ 15,000.00						
	1	2/21/2017		\$ 15,000.00	3/7/2017	3/23/2017	3699	\$ 15,000.00	Souder, Miller Engineering
16-A2280-STB			\$ 50,000.00						
	1	2/21/2017		\$ 10,653.47	3/7/2017	3/22/2017	3698	\$ 8,839.17	Hydro Geologic Service
					3/7/2017	3/23/2017	3699	1,814.30	Souder, Miller Engineering
	2	4/11/2017		24,271.63	5/1/2017	5/18/2017	3712	5,498.62	Souder, Miller Engineering
						5/18/2017	3713	18,773.01	Hydro Geologic Service
				\$ 34,925.10				\$ 34,925.10	

**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2017**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Segregation of Duties on the Review and Approval of all Disbursements, Receipts and Journal Entires	C	2010-4	2010-4
Quarterly Financial Reports do not agree with the Approved Budget	D	2016-001	2016-001
Late Report	D	N/A	2017-001
No Capital Assets Inventory performed at year-end	D	N/A	2017-002
Follow-up on Prior Year Findings:			
Segregation of Duties on the Review and Approval of all Disbursements, Receipts and Journal Entires	C	2010-4	2010-4 Revised Repeated
Final Budget not Submitted for Approval and Quarterly Financial Reports do not agree with the Approved Budget	D	2016-001	2016-001 Revised Repeated

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2017**

2010-4 (Internal Control Deficiency-Revised)

Segregation of Duties on the Review and Approval of all Disbursements, Receipts and Journal Entries

Criteria

Proper internal control requires the segregation of duties in the recording, approval and reconciliation of receipts, disbursements transactions and review and approval of all journal entries.

Condition

The majority of the Alcalde Mutual Domestic Water Association's (AMDWA) revenue and expenditure transactions are prepared, posted and approved by the fee accountant with little oversight by the governing body. The fee accountant has substantial control over the receipting and disbursements cycles and journal entries. For the expenditure sample (25) tested, 9 disbursements were made without an invoice and 21 showed no evidence of authorization to pay. There is also no evidence of journal entry approval. This finding is revised and repeated from previous fiscal years. No progress was made during the year towards implementing their prior-year corrective action plan.

Cause

The AMDWA is a small association that relies on the fee accountant to perform substantially all accounting functions.

Effect

The lack of review and approvals by the Association Board could create the possibility of errors or irregularities on the accounts and financial statements of the AMDWA.

Recommendation

We again recommend that the Association's Board implement and enforce policies and procedures to review and approve, at least on a monthly basis, all financial transactions, including but not limited to, receipts/deposits, disbursements/checks and journal entries.

Entity Response

"The AMDWCA will Immediately develop procedures for the review of all financial transactions including, but not limited to, receipts/deposits, disbursements/checks and journal entries. The Board's Treasurer will be the board member that acquires all pertinent information for the Board's approval at the Board's monthly meeting. Board meetings are held on the second Tuesday of the month and the AMDWCA's Treasurer will provide a report on all the items listed above."

**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2017**

2016-001 (Noncompliance-Revised)

Quarterly Financial Reports do not agree with the Approved Budget

Criteria

Section 6-6-2 (E) NMSA 1978 requires each local public body to certify a final budget and submit it to the Department of Finance and Administration, Local Government Division (DFA-LGD). Section 6-6-3 NMSA 1978 states that every local public body shall make all reports as may be required by the DFA-LGD and conform to the rules and regulations adopted by the DFA-LGD.

Condition

The Alcalde Mutual Domestic Water Consumers Association (AMDWCA) prepared and submitted a FY 2017 budget that was approved by the DFA-LGD. Although the AMDWCA submitted quarterly financial reports to the DFA-LGD, one amount shown in the approved budget column does not agree with the approved amount submitted and approved. Also, the quarterly reports submitted to DFA-LGD do not have the approval signature of a board official. Some progress was made towards implementing the prior-year corrective action plan in that a final budget was submitted for approval but there was still an issue with one budgeted line item on the quarterly financial reports submitted to the DFA-LGD.

Cause

Oversight on the part of AMDWCA management. Also, the AMDWCA is a small association and relies on the fee accountant to prepare and submit to the DFA-LGD the quarterly financial reports. However, the AMDWCA management does not review or approve those reports.

Effect

The AMDWCA has not complied with Sections 6-6-2 and 6-6-3 NMSA 1978.

Recommendation

We recommend that, in the future, the AMDWCA's Board implement and enforce policies and procedures to review and approve the quarterly financial reports submitted to DFA-LGD.

Entity Response

"AMDWCA Board will carefully review and approve all quarterly financial reports submitted to DFA-LGD to insure the approved budget is reflected correctly on the reports."

**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2017**

2017-001

Late Report (Noncompliance)

Criteria

Office of the State Auditor, Rule 2017, Section 2.2.2.16.G, states that local public bodies with other than a June 30 fiscal year-end must submit the agreed-upon procedures (AUP) report no later than five months after fiscal-year end.

Condition

The Alcalde Mutual Domestic Water Consumers Association (AMDWCA) has a December 31 year end but the agreed-upon procedures report for the year ended December 31, 2017 was submitted more than five months after fiscal-year end.

Cause

Alcalde Mutual Domestic Water Consumers Association (AMDWCA) did not submit the recommendation or contract form to the State Auditor on a timely basis. The IPA recommendation was approved and contract signed in late April 2018.

Effect

The Alcalde Mutual Domestic Water Consumers Association (AMDWCA) has not complied with Office of the State Auditor, Rule 2017, Section 2.2.2.16.G.

Recommendation

We recommend that, in the future, Alcalde Mutual Domestic Water Consumers Association (AMDWCA) complete the recommendation and contract forms and submit all agreed-upon procedures reports by the required deadlines.

Entity Response

The AMDWCA Treasurer will start the process to complete our agreed-upon procedures in January 2018 and every year thereafter so that there is no delay in meeting the deadlines.”

**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2017**

2017-002

No Capital Asset Inventory Performed at Year End (Noncompliance)

Criteria

Section 12-6-10A 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.”

Condition

There is no evidence that the Alcalde Mutual Domestic Water Consumers Association (AMDWCA) performed a physical inventory of its capital assets at December 31, 2017. There are capital assets listed on the balance sheet and also an Asset/Depreciation Report is maintained by the fee accountant but that report is not certified by the governing authority. There is a difference of \$50,257 difference between the total capital assets on the balance sheet and the Asset/Depreciation report.

Cause

The Alcalde Mutual Domestic Water Consumers Association (AMDWCA) did not perform and document the capital assets physical inventory at year end.

Effect

The Alcalde Mutual Domestic Water Consumers Association’s (AMDWCA) capital asset listing may be incomplete or inaccurate.

Recommendation

We recommend that the Alcalde Mutual Domestic Water Consumers Association (AMDWCA) maintain a capital assets inventory listing and perform the year-end annual inventory, as required. We further recommend that the inventory be certified by the governing authority each year.

Entity Response

“Our Association Board will instruct the water operator to complete an inventory immediately. Thereafter, we will place in our policies and procedures that a certified annual inventory be completed no later than December 31 of each year.”

**STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Exit Conference
Year Ended December 31, 2017**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on June 14, 2018 with the following in attendance:

Alcalde Mutual Domestic Water Consumers Association

Alfredo Montoya, Chairman

Accounting Firm

James R. (Jim) Macias, CPA