

# **Accounting & Auditing Services, LLC**

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

**Ancones Mutual Domestic Water and Wastewater Consumers Association**

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

**For the Fiscal Year Ended December 31, 2011**

**Ancones Mutual Domestic Water and Wastewater Consumers Association  
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Fiscal Year Ended December 31, 2011**

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**Ancones Mutual Domestic Water and Wastewater Consumers Association  
Official Roster  
Fiscal Year Ending December 31, 2011**

**Board of Directors**

Leonel Chacon, President

LeRoy Campos, Vice President

Stacy Maestas, Secretary/Treasurer

Isaac Suazo, Member

Chester Griego, Member

**Administrative Staff**

None

# Accounting & Auditing Services, LLC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

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

Leonel Chacon, President  
Ancones Mutual Domestic Water and Wastewater Consumers Association  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

I have performed the procedures enumerated below for the Ancones Mutual Domestic Water and Wastewater Consumers Association (MDWWCA) for the year ended December 31, 2011, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 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 MDWWCA through the New Mexico Office of the State Auditor. The MDWWCA'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. Test all state-funded capital outlay expenditures:

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

All of the cash disbursements for the capital award projects were tested. The amounts 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 MDWWCA does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the MDWWCA's procurement policies and procedures.

- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

For both projects, the MDWWCA hired Souder, Miller & Associates as the project manager who advertised, obtained bids and quotes where necessary, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations.

- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.

The project work was physically observed.

- 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.

The MDWWCA submitted the required disbursement requests forms to the New Mexico Environment Department (NMED). The reports agreed with the general ledger and the supporting documentation.

- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

The project was not funded in advance. The MDWWCA was required to submit disbursement request forms to the NMED along with vendor invoices and other supporting documentation.

- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

The appropriations for both projects were fully expended. See the Schedule of Capital Outlay Awards on p. 6 of this report.

- 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 award agreement.

The checks received from DFA for the projects were deposited in the MDWWCA's checking account at the Valley National Bank in Espanola, NM. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

- 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.

For the capital outlay awards, the MDWWCA filed disbursement request forms with the NMED for the project expenditures. The requests were supported by invoices and other documentation for the project costs. The project costs were not paid by the MDWWCA prior to the request for reimbursement because the MDWWCA did not have the necessary funds. The MDWWCA paid for the project costs after the checks were received from DFA. A finding was not considered necessary since the MDWWCA complied with the NMED's reimbursement procedures.

2. The agreed-upon procedures report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See the Schedule of Capital Outlay Awards on p. 6 of this report.

### 3. 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.

See Finding 2011-1 on p. 4 of this report.

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 3 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 MDWWCA, the New Mexico State Auditor, Department of Finance and Administration – Local Government Division, Environment Department and the 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  
November 21, 2013

**Ancones Mutual Domestic Water and Wastewater Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2011**

**Status of Prior Year Findings**

Not applicable.

**Current Year Findings**

**Finding 2011-1. Late Submission of Firm Recommendation Form and Contract, and Late Agreed-Upon Procedures Report**

**Condition**

For the fiscal year ending December 31, 2011, the Ancones Mutual Domestic Water and Wastewater Consumers Association (MDWWCA) did not submit the Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures to the New Mexico Office of the State Auditor (OSA) until October 2013.

Also, the agreed-upon procedures report for the fiscal year ending December 31, 2011 was not submitted to the OSA by the due date of June 1, 2012.

**Criteria**

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, the MDWWCA should “submit the completed Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures to the State Auditor on or before July 1, 2011.”

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 be submitted to the State Auditor by the required due date.

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

**Cause**

According to State Audit Rule, Section 2.2.2.16.B NMAC, “Annually, the State Auditor shall provide local public bodies written authorization to proceed with obtaining services to conduct a financial audit or other procedures.” The Secretary/Treasurer of the MDWWCA

**Ancones Mutual Domestic Water and Wastewater Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2011**

stated that the MDWWCA never received the written authorization to proceed from the State Auditor.

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

**Recommendation**

The officers and employees of the MDWWCA 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 MDWWCA 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. When required, the MDWWCA should take the necessary steps to ensure that future IPA recommendation forms and contracts are submitted to the State Auditor by July 1, and the report by the following June 1.

**Management's Response**

The Ancones MDWWCA is now familiar with Section 2.2.2.16 NMAC of the State Audit Rule and specifically understands the specific requirements and due dates for completing agreed-upon procedures or audits. For future years, the Ancones MDWWCA shall apply our total revenues and state funded capital outlay award expenditures and apply the criteria from the State Audit Rule to determine the level of agreed-upon procedures or audits required for the particular fiscal year. When required, the Ancones MDWWCA shall take the necessary steps to ensure that future IPA recommendation forms and contracts are submitted to the State Auditor by July 1 and the report by the following June 1.



**Ancones Mutual Domestic Water and Wastewater Consumers Association  
Schedule of Capital Outlay Awards  
For the Fiscal Year Ending December 31, 2011**

	1	2
Amount Awarded for Project	\$ 14,470.49	\$ 20,000.00
Amount Received and Expended by MDWWCA	(14,470.49)	(20,000.00)
Remaining Balance Reverted to State	\$ -	\$ -

**Agreement Provisions**

**1 - Grant Agreement Between the New Mexico Environment Department and the Ancones Mutual Domestic Water and Wastewater Consumers Association  
Special Appropriations Project Number SAP 07-4526-GF**

Legislative Authority: NM Laws of 2007, Chapter 42, Section 59, Subsection 118

Date of Agreement: June 23, 2010

General Fund Appropriation Description: To plan, design and construct a well, pump house, water storage tank, water lines and applicable appurtenances for the Ancones MDWWCA in Rio Arriba County.

Project Description: Planning, design, and other professional services of a new water system at Ancones MDWWCA.

Estimated Project Cost: \$14,470.49

State Grant Amount: \$14,470.49

Agreement termination/reversion date: June 30, 2011

**2 - Grant Agreement Between the New Mexico Environment Department and the Ancones Mutual Domestic Water and Wastewater Consumers Association  
Special Appropriations Project Number SAP 08-3893-GF**

Legislative Authority: NM Laws of 2008, Chapter 92, Section 48, Subsection 80

Date of Agreement: November 8, 2010 as amended

General Fund Appropriation Description: To plan, design and construct a water system for the Ancones MDWWCA in Las Ancones in Rio Arriba County.

Project Description: Pilot borehole drilling and testing.

Estimated Project Cost: \$20,000

State Grant Amount: \$20,000

Agreement termination/reversion date: June 30, 2012

**Ancones Mutual Domestic Water and Wastewater Consumers Association  
Exit Conference  
Fiscal Year Ended December 31, 2011**

On November 22, 2013, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Ancones Mutual Domestic Water and Wastewater Consumers Association

Leonel Chacon, President  
Stacy Maestas, Secretary/Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager