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Ancones Mutual Domestic Water and Wastewater Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending December 31, 2015

Ancones Mutual Domestic Water and Wastewater Consumers Association
Table of Contents
Fiscal Year Ended December 31, 2015

| | <u>Page</u> |
|------------------------------------|-------------|
| Table of Contents | i |
| Official Roster | ii |
| Independent Accountant's Report | 1 |
| Schedule of Findings and Responses | 5 |
| Schedule of Capital Outlay Awards | 7 |
| Exit Conference | 8 |

**Ancones Mutual Domestic Water and Wastewater Consumers Association
Official Roster
Fiscal Year Ending December 31, 2015**

Board of Directors

Leonel Chacon, President

Robert Montoya, Jr., Vice President

Stacy Maestas, Secretary/Treasurer

LeRoy Campos, Member

Belinda Vasquez, Member

Administrative Staff

Leonel Toby Chacon, Certified Water Operator

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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

Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Ancones Mutual Domestic Water and Wastewater Consumers Association (Association) for the year ended December 31, 2015, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (3) 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 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. 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 project 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 Association 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 Association'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).

The Association hired Souder, Miller & Associates as the project manager who advertised, obtained bids and quotes where necessary. The Association entered into a contract with Allied 360 Construction for the well and fill station project 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 (well head, pump house and fill station) was observed. The work done as of December 31, 2015 agreed with the contractor's invoices and 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.

The Association submitted the Engineer's Construction Status Reports to the New Mexico Environment Department (NMED). The amounts in the status reports agreed with the general ledger and other 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 Association was required to submit disbursement request forms to the NMED along with vendor invoices, status reports 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.

As of December 31, 2015, the well and fill station project was not fully completed; the grant to the Association has an unexpended balance of \$12,615.86 which will be used to complete the project. See the Schedule of Capital Outlay Awards on p. 7 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 Association deposited the \$75,284.14 received from the NMED in the Association'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 fiscal year ending December 31, 2015, the Association filed three disbursement request forms totaling \$75,284.14 with the NMED for the project expenditures. The requests were supported by the contractor's partial payment estimates and other documentation for the project costs. The project costs were not paid by the Association prior to the request for reimbursement because the Association did not have the necessary funds. The Association paid for the project costs after the loan proceeds and grant checks were received from the NM Board of Finance and the NMED, respectively.

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. 7 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.

No indications of fraud, illegal acts or internal control deficiencies were noted during the performance of the agreed-upon procedures. However, an instance of noncompliance with a contract due date established by the NM Office of the State Auditor was noted. See the Schedule of Findings and Responses on p. 5 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 Association, the New Mexico State Auditor, Department of Finance and Administration - Local Government Division, New Mexico 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

March 28, 2016

**Ancones Mutual Domestic Water and Wastewater Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2015**

Status of Prior Year Findings

None.

Current-Year Findings

Finding 2015-001. Late Submission of Firm Recommendation Form and Contract to the Office of the State Auditor

Condition

For the fiscal year ending December 31, 2015, the Association did not submit the Firm Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until February 3, 2016.

Criteria

According to State Audit Rule 2015, Section 2.2.2.16.D (6) NMAC, the Association should have submitted the completed Firm Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures contract to the State Auditor by January 1, 2016.

Effect

A late firm recommendation form and contract could cause the agreed-upon procedures report to be late.

Cause

For 2015, the Association misunderstood the requirements for agreed-upon procedures, and therefore, did not submit the IPA recommendation form and the contract to the OSA by the due date.

Recommendation

The Association's Board of Directors should thoroughly read Section 2.2.2.16 NMAC of Audit Rule 2016 to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, the Association shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC (Determination of Revenues and Services) to determine what agreed-upon procedures or audits are required for the fiscal year.

**Ancones Mutual Domestic Water and Wastewater Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2015**

When required, the Association should take the necessary steps to ensure that future contracts for agreed-upon procedures are submitted to the Office of the State Auditor as follows:

- According to State Audit Rule 2016, Section 2.2.2.8.J (9) NMAC (effective March 15, 2016), "After completing the evaluations for each IPA and making the IPA selection, each agency must enter the appropriate requested information online on the OSA-Connect website (www.osa-app.org).” According to State Audit Rule, Section 2.2.2.8.J (11) NMAC, the Association shall deliver the unsigned contract generated by OSA-Connect to the office 30 days before the end of the fiscal year (December 1).

- According to State Audit Rule, Section 2.2.2.16.G (1) NMAC (effective March 15, 2016), "Local public bodies with a fiscal-year end other than June 30 must submit the agreed-upon procedures report or certification no later than five months after the fiscal year-end (June 1).”

Management’s Response

The Ancones MDWWCA has registered and will attend one of the upcoming Audit Rule Training sessions conducted by the State Auditor’s Office to better understand the State Audit Rule. In November of 2016, the President will apply the criteria noted above and comply with the OSA’s requirements for agreed-upon procedures by the established due dates.

Ancones Mutual Domestic Water and Wastewater Consumers Association
Schedule of Capital Outlay Awards
For the Fiscal Year Ending December 31, 2015

| | 1 |
|--------------------------------------|--------------|
| Amount Awarded for Project | \$ 87,900.00 |
| Amount Received and Expended in 2015 | (75,284.14) |
| Remaining Balance | \$ 12,615.86 |

Agreement Provisions

**1 - Grant Agreement Between the New Mexico Environment Department and the Ancones Mutual Domestic Water and Wastewater Consumers Association
Fund 89200 Capital Appropriations Project #14-1673-STB**

Legislative Authority: NM Laws of 2014, Chapter 66, Section 16, Paragraph 81

Date of Agreement: February 20, 2015

Project Description: To design and construct a pump house for the Ancones Mutual Domestic Water and Wastewater Consumers Association in La Madera in Rio Arriba County.

Estimated Project Cost: \$188,377

State Grant Amount: \$87,900

Agreement termination/reversion date: June 30, 2018

**Ancones Mutual Domestic Water and Wastewater Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2015**

On March 28, 2016, 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, Engagement Manager