



**ANCONES MUTUAL DOMESTIC WATER AND  
WASTEWATER CONSUMERS ASSOCIATION**

---

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES - TIER 3  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

**MORTON**  
ACCOUNTING, LLC

certified public accountants | consultants

**ANCONES MUTUAL DOMESTIC WATER AND WASTEWATER CONSUMERS ASSOCIATION  
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - TIER 3  
TABLE OF CONTENTS**

Official Roster.....	1
Independent Accountant's Report on Applying Agreed Upon Procedures - Tier 3.....	2
Schedule of Capital Outlay Awards and Expenditures.....	6
Schedule of Findings and Responses.....	7
Exit Conference.....	8

**ANCONES MUTUAL DOMESTIC WATER AND WASTEWATER CONSUMERS ASSOCIATION  
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - TIER 3  
OFFICIAL ROSTER AS OF DECEMBER 31, 2017**

**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
--------------------	--------------------------



1512 Pacheco Street  
Suite D-204  
Santa Fe, NM 87505  
505.303.3557 (o)

## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - TIER 3**

Wayne Johnson, New Mexico State Auditor  
and  
Leonel Chacon, President  
Ancones Mutual Domestic Water and Wastewater Consumers Association  
La Madera, NM 87539

We have performed the procedures enumerated below, which were agreed to by Ancones Mutual Domestic Water and Wastewater Consumers Association (Association) and the New Mexico State Auditor (specified parties), solely to assist you in determining compliance with provisions of the Audit Act for 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 as of and for the year ended December 31, 2017. The Association's management is responsible for maintaining its accounting records and the subject matter. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and 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](http://www.osanm.org) under "Tiered System Reporting Main Page".**

*The Association's revenue calculation and tier determination were documented on the form provided at [www.osanm.org](http://www.osanm.org) under the "Tier System Reporting Main Page" and it was determined that the Association is under the Tier 3 reporting procedures.*

**2. Perform the following tests on 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 documents for the capital awards projects were obtained and tested. We determined that 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.*

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

*All of the cash disbursements documents for the capital awards projects were obtained and tested. We determined that the cash disbursements were properly authorized and approved in accordance with legal requirements and the State'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).**

*Bid documents for all procurements related to capital awards projects occurring during FY2017 were obtained and viewed. We determined that the Association 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 physical existence (by observation) of the capital asset based on expenditures to date.**

*Physical existence of the completed project was determined based on observation on May 30, 2018.*

- 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.**

*Obtained award agreements, reimbursement forms, quarterly reports and supporting documentation (bank statements, canceled checks, invoices) and viewed. We determined that the amounts on the reimbursement forms agree with the general ledger, funds received and payments made. The Association submitted the required status reports to the New Mexico Environment Department (NMED). The amounts in the status reports agreed with the general ledger and other supporting documentation.*

- 3. 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.**

*Obtained and viewed reimbursement forms, bank statements, canceled checks and invoices. We determined that the projects were not funded in advance. The Association was required to submit reimbursement forms to the NMED upon completion of work on the project.*

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

*Obtained and viewed award agreement, FY2017 budget, and quarterly reports. We determined that the Association had one award budgeted for projects/expenditure during FY2017:*

*NM Laws 2016, Chapter 81, Section 18, Paragraph 51 (STB) - this project was completed and fully expended, therefore, there were no unexpended balances or reversions as of 12/31/17.*

- 5. 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.**

*Obtained and viewed award documents. We determined that the capital projects agreements did not require a separate fund or separate bank account that is non-interest bearing for the capital outlay funds.*

- 6. 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.**

*Obtained and viewed four reimbursement requests totaling \$150,000 for all project award disbursements. We determined that the Association filed Request for Reimbursement Forms with the NMED based on unpaid invoices submitted to the Association by vendors who had performed work on the Association projects. The costs were not paid by the Association prior to the request for reimbursement because the Association did not have the necessary funds for payment. The Association paid for its project expenditures after the Association received the NMED checks. A finding was not considered necessary since the Association complied with the NMED's reimbursement procedures requirements.*

**7. 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.**

*No information or indications of fraud, illegal acts, noncompliance or internal control deficiencies were noted during the performance of the agreed-upon procedures.*

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 3 agreed upon procedures. 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 Ancones Mutual Domestic Water and Wastewater Consumers Association, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Environment Department and the New Mexico State Legislature, and is not intended to be and should not be used by anyone other than those specified parties.



Morton Accounting Services, LLC  
Santa Fe, New Mexico  
May 31, 2018

**ANCONES MUTUAL DOMESTIC WATER AND WASTEWATER CONSUMERS ASSOCIATION  
SCHEDULE OF CAPITAL OUTLAY AWARDS AND EXPENDITURES  
DECEMBER 31, 2017**

**Amounts awarded for projects:**

SAP 16-A2283-STB	\$ 150,000
<b>Amounts received by the Association</b>	150,000
<b>Amounts expended by the Association</b>	(150,000)
<b>Remaining balance</b>	\$ -

**Agreement Provisions:**

<b>Legislative Authority / Project Description</b>	<b>Dates of Agreement</b>	<b>Estimated Project Cost</b>	<b>Agreement Termination / Reversion Dates</b>
NM Laws 2016, Chapter 81, Section 18, Paragraph 51 (STB)	8/13/2016	\$ 150,000	Earlier of project completion or 6/30/2020/ 6/30/2020

Project Description: To plan, design, and construct a water system and improvements for the Ancones Mutual Domestic Water and Wastewater Consumers Association in Rio Arriba County.



**ANCONES MUTUAL DOMESTIC WATER AND WASTEWATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Status of Prior Year Findings:**

Not applicable

**Current Year Findings:**

**2017-001 Contract to the Office of the State Auditor**

**Condition:**

For the fiscal year ending December 31, 2017, the Association did not submit the Firm Recommendation and Contract for Tiered System Local Public Bodies using OSA-CONNECT, and the unsigned agreed-upon procedures contract to the New Mexico Office of the State Auditor until May 2018.

**Criteria:**

According to State Audit Rule 2017, Section 2.2.2.8 (F) (8) NMAC, the Association should have submitted required unsigned contract via OSA-CONNECT 30 days before the end of the fiscal year.

**Effect:**

A late contract submission could cause the agreed-upon procedures report to be late.

**Cause:**

The Association misunderstood requirements for agreed-upon procedures, and therefore, did not submit the contract by the due date.

**Recommendation:**

The Association's Board of Directors should thoroughly read Section 2.2.2.16 NMAC of the State Audit Rule to understand the specific requirements and due dates for agreed upon procedures as requirements may change.

**Management's Response:**

In upcoming years, Ancones MDWWCA Treasurer will complete the Tier Determination Form along with Interim Budgets that are due to DFA by November 30th of each year. Should IPA services be required, Ancones MDWWCA will procure contract on OSA connect at this time.

**ANCONES MUTUAL DOMESTIC WATER AND WASTEWATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

On May 30, 2018 an exit conference was held with the following individuals to discuss the results of the agreed-upon procedures and contents of this report.

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

Leonel Chacon

President

Stacy Maestas

Secretary/Treasurer

**Morton Accounting Services, LLC**

Janet Pacheco-Morton, CPA, CGFM

Managing Principal

Kim Keahbone, CPA

Senior Accountant