

**Canjilon Mutual Domestic Water Consumers  
and Mutual Sewage Works Association**

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures (TIER 5)**

**For the Year Ended  
December 31, 2017**

**ASSURANCE TAX ACCOUNTING PC**

---

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

**Office:** (505) 620-8526 **Fax:** (866) 800-6970; PO Box 27213 Albuquerque, NM 87125;  
johnnymangu@msn.com

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WOKS ASSOCIATION**

**Table of Contents**

**Fiscal Year Ended December 31, 2017**

	Page
<b>Table of Contents</b> .....	2
<b>Official Roster</b> .....	3
<b>Independent Accountants' Report on Applying Agreed-Upon Procedures (Tier 5)</b> .....	4
<b>Statement of Revenues and Expenditures (Budget and Actual)</b> .....	13
<b>Schedule of Findings and Responses</b> .....	14
<b>Exit Conference</b> .....	20

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION  
OFFICIAL ROSTER  
For the Year Ended December 31, 2017**

<b>Name</b>	<b>Title</b>
Cipie Maez	President
Ross Martinez	Vice-President
Sabino Rivera	Secretary/Treasurer
Tom Montano	Board Member
Belinda Valdez	Board Member

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

Cipie Maez, President  
Canjilon Mutual Domestic Water Consumers  
And Mutual Sewage Works Association  
and  
Honorable Brian S. Colon  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Canjilon Mutual Domestic Water Consumers and Mutual Sewage Works Association (Association) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its compliance with Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended December 31, 2017. The Association's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. The sufficiency of these procedures is solely the responsibility of those parties specified in the 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.

**Procedure to be Performed:**

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 "Tier System Reporting Main Page."

**Results of Procedure 1:**

We verified Canjilon Mutual Domestic Water Consumers and Mutual Sewage Works Association's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tier System Reporting Main Page" and it was determined that the Canjilon falls under the Tier 5 procedures. General revenues were \$67,906 and capital projects were ongoing.

# ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

### Procedure to be Performed:

#### 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.

### Results of Procedure 2(a):

We determined that all bank reconciliations were performed. Two bank reconciliations were not performed in a timely manner. All bank statements and investment/savings statements were complete and on hand without exception. All monthly bank reconciliations for the operating account and the savings account were examined without exception. See finding 2017-001

### Procedure to be Performed:

- 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.

### Results of Procedure 2(b):

We selected four months for review – September, December, March, and June. We traced the ending balances to the general ledger for all bank statements reconciliations. We determined that the bank reconciliations were accurate. The Association did not submit the quarterly financial reports to DFA-LGD. See finding 2016-001.

### Procedure to be Performed:

- 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 Procedure 2(c):

We determined that the balances of the operating account and the savings account at no time exceeded the insured limits provided by the FDIC of \$250,000. Therefore, pledged collateral by the financial institution was not required.

### Procedure to be Performed:

#### 3. Capital Assets

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

# ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

### **Results of Procedure 3:**

We inquired as to whether or not Canjilon MDWA is performing a yearly inventory as required by section 12-6-10 NMSA 1978. The majority of the Association assets are included in the water system and water tank, most of which is underground. The Association maintains a written inventory of all equipment and furniture including tagging the items for positive identification. Martha Montoya, Office Administrator performed the inventory listing and we noted that it was signed as certified and approved.

### **Procedure to be Performed:**

#### **4. Revenue**

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.

### **Results of Procedure 4(a):**

We performed an analytical review of each type of revenue and compared each type of revenue to the budget. We noted no exceptions.

### **Procedure to be Performed:**

Select a sample of revenues equal to at least 30% of the total dollar amount and test using the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

### **Results of Procedure 4(b):**

We randomly selected a sample of cash receipts 92% of the total dollar amount and determined that the Association had adequate documentation for receipts. We traced the amounts recorded in the supporting documentation including deposit books to the general ledger and to the bank statements. No exceptions were noted.

### **Procedure to be Performed:**

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 Procedure 4(c):**

We randomly selected a sample of 20 receipts and we traced the amounts recorded in the general ledger and comparing to the supporting documentation for proper coding and distribution. No exceptions were noted.

# ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

### Procedure to be Performed:

#### 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 the vendor's invoice, purchase order, contract and canceled check, as appropriate.

### Results of Procedure 5(a):

We randomly selected a sample of cash disbursements equal to 58% of the total dollar amount and determined that the Association had adequate documentation for disbursements. In the testwork we checked that the amount recorded as disbursed agrees to adequate supporting documentation and that the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. We noted no exceptions.

### Procedure to be Performed:

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

### Results of Procedure 5(b):

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

### Procedure to be Performed:

- 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) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

### Results of Procedure 5(c):

The only project requiring bidding was on the Capital Outlay disbursement. There is a significant difference between the bid amount and the paid amount to the vendor. We noticed that the price on the bidding was \$62,662 and on the contract was \$175,609. See finding 2016-004 for Procurement Code compliance finding. Because the Association was not using the appropriate mileage reimbursement rate, it resulted in two underpayments, the underpayments amounted to \$32.35 for the items tested. See finding 2016-005.

# ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

### Procedure to be Performed:

#### 6. Journal Entries

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.

### Results of Procedure 6(a):

Because there were no manual journal entries created during 2017, no testing was performed in this area.

### Procedure to be Performed:

- 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 Procedure 6(b):

Because there were no manual journal entries created during 2017, no testing was performed in this area.

### Procedure to be Performed:

#### 7. Budget

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.

### Results of Procedure 7(a):

We verified through review of minutes that the original budget was not approved by the Association Board. See finding 2016-001

### Procedure to be Performed:

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

### Results of Procedure 7(b):

We determined through comparing the Original/Final Budget to the Actual Expenditures that the Association is not in compliance with statutes by over-expending at the fund level, which is the legal level of budgetary control. See finding 2016-001.

### Procedure to be Performed:

- 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.



# ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

### **Results of Procedure 7(c):**

See Attached Statement of Revenues and Expenditures – Budget and Actual.

### **Procedure to be Performed:**

#### **8. Capital Outlay Appropriations**

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 fiscal year and perform the following:

Test all capital outlay expenditures during the fiscal year to:

- 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 cancelled check, as appropriate.

### **Results of Procedure 8(a):**

We determined that amount recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoice and cancelled check copies, as appropriate. The Association does not use purchase order forms.

### **Procedure to be Performed:**

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

### **Results of Procedure 8(b):**

We looked at the Association's request for reimbursement form and observed the President approval of the disbursement, therefore we determined that disbursement was properly authorized but not in compliance with the budget, legal requirements and established policies and procedures. See finding 2016-001

### **Procedure to be Performed:**

- 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).

### **Results of Procedure 8(c):**

The Association provided a bidding documentation to show that other providers were consider. We noticed that the price on the bidding was \$62,662 and on the contract was \$175,609. There is a significant difference between the bid amount and the paid amount to the vendor. See finding 2016-004.

## ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

#### **Procedure to be Performed:**

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

#### **Results of Procedure 8(d):**

The auditor inspected the waterline installation and determined to be complete.

#### **Procedure to be Performed:**

- 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.

#### **Results of Procedure 8(e):**

We verified that the status report was submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

#### **Procedure to be Performed:**

- 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.

#### **Results of Procedure 8(f):**

The Association had eight state-funded capital outlay expenditures amounting to \$181,626 during the audit period. The project was not intended to be funded in advance but on a reimbursement basis. For the \$181,626 reimbursements, the project was invoiced on 11/9/2016, 3/9/2017, 5/23/2017, 7/25/2007, 8/14/2017, 9/25/2017, 11/20/2017, and 12/4/2017 and payment to the vendor was completed on 12/31/2017.

#### **Procedure to be Performed:**

- 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.

#### **Results of Procedure 8(g):**

Canjilon Mutual Domestic Water Consumes and Mutual Sewage Works Association was awarded a \$200,000 state-funded Capital Appropriation, and for the audit period there were eight capital outlay expenditures, amounting to \$181,626. The unexpended balance for the Capital Appropriation is \$18,374. The Reversion Date is 06/30/2020.

#### **Procedure to be Performed:**

- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is no-interest bearing if so, required by the capital outlay award agreement.

## ASSURANCE TAX ACCOUNTING PC

---

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

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnnymangu@msn.com](mailto:johnnymangu@msn.com)

#### **Results of Procedure 8(h):**

The checks received from the NM Environment Department were deposited in the Association's checking account at Washington Federal Bank. When the funds were received from the NMED, the disbursements to the vendor was completed.

#### **Procedure to be Performed:**

- 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 Procedure 8(i):**

The Association filed Requests for Reimbursement Forms with the NM Environment Department when invoiced by the contractor that work was completed in the current year. The request was supported by invoices submitted to the Association for work done on the Construction services. The cost was not paid by the Association prior to the request for reimbursement. The Association paid for its project expenditures after the payment was received from the NM Environment Department. A finding was not considered necessary since the Association complied with the reimbursement procedures.

#### **Procedure to be Performed:**

##### **9. Other**

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 Procedure 9:**

The Association did not submit their Independent Public (IPA) recommendation or their agreed-upon procedures report to the Office of the State Auditor within the timeframe required by the State Audit Rule. See finding 2016-002.

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 on the Canjilon Mutual Domestic Water Consumers and Mutual Sewage Works Association's financial reporting to the State Auditor as described above. 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 Canjilon Mutual Domestic Water Consumers and Mutual Sewage Waters Association, the New Mexico Office of the State Auditor, the New Mexico Office Legislature, the New Mexico Department of Finance and

## ASSURANCE TAX ACCOUNTING PC

---

Financial Audits - Agreed Upon Procedures - Tax - Consulting

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; [johnmangu@msn.com](mailto:johnmangu@msn.com)

Administration and is not intended to be and should not be used by anyone other than those specified parties.

*Assurance Tax Accounting P.C.*

Assurance Tax Accounting P.C.

Albuquerque, New Mexico

January 17, 2019

STATE OF NEW MEXICO  
 CANJILON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (Cash Basis)  
 For the year ended December 31, 2017

	Budgeted Amount		Actual Budget Basis	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenue</b>				
Chages for services	\$ 66,481	\$ 66,481	\$ 66,806	\$ 325
Grants and contracts	-	-	176,072	176,072
New memberships	50	50	1,100	1,050
Total Revenue:	<u>\$ 66,531</u>	<u>\$ 66,531</u>	<u>\$ 243,979</u>	<u>\$ 177,448</u>
<b>Expenses</b>				
Salaries and payroll taxes	\$ 6,534	\$ 6,534	\$ 6,108	\$ 426
Operating Expenses	25,639	25,639	23,537	2,102
Contractual services	13,097	13,097	25,872	(12,776)
Capital outlay	-	-	176,072	(176,072)
Utilities	3,852	3,852	3,744	108
Debt service	15,002	15,002	13,888	1,114
Total Expenses	<u>\$ 64,123</u>	<u>\$ 64,123</u>	<u>\$ 249,221</u>	<u>\$ (185,098)</u>
Revenues over (under) expenditures	<u>\$ 2,408</u>	<u>\$ 2,408</u>	<u>\$ (5,243)</u>	<u>\$ (7,651)</u>

**CAMJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2017**

**Prior Year Findings:**

Finding 2016-001 – Budget approval and quarterly reporting and and exceeded budget authority	Repeated
Finding 2016-002 – Late Agreed-Upon Procedures report and IPA Recommendation	Repeated
Finding 2016-003 – No Board Certification of Inventory at the Year End.	Resolved
Finding 2016-004 – No Supporting Documentation Provided for Procurement	Repeated
Finding 2016-005 – Regulations Governing the Per Diem and Mileage	Repeated

**Current Year Findings**

Finding 2017-001 – Bank reconciliations untimely	
Finding 2016-001 – Budget approved and quarterly reporting and exceeded budget authority	
Finding 2016-002 – Late Agreed-Upon Procedures report and IPA Recommendation	
Finding 2016-004 – Procurement, Actual Expenditures exceeded significantly bid amounts	
Finding 2016-005 – Regulations Governing the Per Diem and Mileage	

**CAMJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2017

**Finding 2017-001 - Bank Reconciliations Untimely**

Condition:

While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the Washington Federal Invested Bank reconciliations for April 2017 was performed 34 days after the statement date, September 2017 was performed 48 days after the statement date. All bank statements and investment/savings statements were complete and on hand without exception.

Criteria:

In accordance with Subsection H of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings and fraud, illegal acts, noncompliance, or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly. Ideally all bank accounts should be reconciled prior to the close of the bank statement for the following month.

Cause:

The Association was not aware of the requirement to reconcile the bank accounts within 30 days after the statement end date. Because of the length of time between the transaction and reconciliation, accurate documentation could not be located.

Effect:

Bank reconciliations that are not reconciled on a timely basis could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner or if historical bank reconciliations do not tie to the current records.

Recommendation:

The Association should establish a policy by which bank reconciliations are required to be performed within thirty days of the statement end date for all bank accounts.

Management's Response:

The Association will begin reconciling the bank statements on a timely basis effective immediately. The President will ensure that these reconciliations are being performed within thirty days after the statement end date.

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2017

**Finding 2016-001 – Budget Approved and Quarterly Reporting and Exceeded Budget Authority**

Condition:

The Association did not prepare or approve their 2017 operating budget and also did not submit their budget to the New Mexico Department of Finance and Administration (DFA) – Local Government Division resulting in expenditures exceeding budget authority. As a local public body, the Association is also required to transmit operating results quarterly to DFA, which were not submitted. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Section 6-6-2 NMSA 1978 requires all local public bodies to submit their original operating budget annually to DFA Local Government Division for certification, and any budget amendments to maintain budget authority.

Cause:

The Association was not aware of the reporting requirement imposed by statute and DFA.

Effect:

DFA – Local Government Division lacked the necessary information to perform their oversight duties required by state statute.

Recommendation:

We recommend the Association establish contact with their DFA budget analyst to determine what reports are required and whether retroactive reporting will be required. The Association should also institute policies to ensure compliance with all reporting requirements imposed by DFA and state statute.

Management's Response:

Effective immediately, the Association President will contact a DFA budget analyst to determine which reports need to be reported and by what deadline these reports need to be reported. The Association Board will then determine a policy to ensure compliance with reporting to DFA. Once contact with a DFA analyst has been established, the President will also ensure that the reporting is conducted in a timely manner.



**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2017

**Finding 2016-002 - Late Agreed-Upon Procedures Report and IPA Recommendation**

Condition:

The Association did not submit their 2017 agreed-upon procedures report to the Office of the State Auditor by June 15, 2018, the due date of the report. In addition, the IPA recommendation for 2017, which was due on January 1, 2017, was not submitted to the State Auditor until November 28, 2017. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

2.2.2 NMAC (State Audit Rule) requires submission of the IPA recommendation by January 1, 2018. 2.2.2 NMAC also requires submission of audit reports within five and a half months after year-end, or June 15, 2018.

Cause:

The Association was not aware of the State Audit Rule requirements to contract with an audit firm.

Effect:

The Association was not in compliance with the State Audit Rule, which could impact their ability to receive grants from federal and state sources.

Recommendation:

The Association should prepare the annual auditor recommendation by January 1, of each year and submit it to the Office of the State Auditor. The Association should also institute policies and procedures that will enable it to complete their annual audit five and a half months after year-end.

Management's Response:

The Association President and Board will create a policy and procedure to submit the IPA recommendation to the State Auditor Office before January 1 and complete the audit requirements within the five and a half months after year-end. The President is responsible for meeting the deadline as required.

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DDECEMBER 31, 2017

**Finding 2016-004 – Procurement Actual Expenditures exceeded significantly bid amounts**

Condition:

We noticed that the price on the bidding was \$62,662 and on the contract was \$175,609. There is a significant difference between the bid amount and the paid amount to the vendor. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Per the Regulations Governing the Procurement Code Regulations (1.4.1.1 NMAC) the Association should be requesting “Request for proposals” or “Invitation for Bid” from multiple providers and considering “Best obtainable price,” “Bidder” along with capability and other considerations of the provider.

Cause:

The Association was not aware of the State Purchasing regulations.

Effect:

Because the Association is not compliant with the Regulations Governing the Procurement Code Regulations (1.4.4.1 NMAC), fraud waste and abuse could take place without being detected, affecting the entity adversely in the eye of the stakeholders.

Recommendation:

The Association should begin complying with the Procurement Code Regulations along with strengthening the review and approval process.

Management’s Response:

The Association will become more knowledgeable with the Procurement Code Regulations along with strengthening the review and approval process, and the Office Administrator will provide the supporting documentation to the board for a quality review and approval. The President is responsible for meeting the deadline as required.

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DDECEMBER 31, 2017

**Finding 2016-005 – Regulations Governing the Per Diem ad Mileage Act (2.42.2 NMAC).**

Condition:

The Association used the incorrect mileage reimbursement rate to reimburse employee use of personal vehicles for the benefit of the Association. Because the Association was not using the appropriate mileage reimbursement rate, it resulted in two underpayments, the underpayment amounted to \$32.35 for the items tested. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Per the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC) the Association should be using the rates provided by DFA. “Unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately-owned vehicle.”

Cause:

The Association was not aware of the appropriate mileage reimbursement rate to be used.

Effect:

Because the Association is not compliant with the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC), fraud waste and abuse could take place without being detected, affecting the entity adversely in the eye of the stakeholders.

Recommendation:

The Association should begin using the DFA published mileage rates along with strengthening the review and approval process.

Management’s Response:

The Association will begin using the DFA published mileage reimbursement rates effective immediately, and the Association President will provide the supporting documentation of mileage reimbursements to the board for a quality review and approval before the payments are made. The President is responsible for meeting the deadline as required.

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS ASSOCIATION  
EXIT CONFERENCE  
YEAR ENDED DECEMBER 31, 2017**

The report contents were discussed at an exit conference held on January 17, 2019 with the following in attendance:

Canjilon Mutual Domestic Water Consumers  
and Mutual Sewage Works Association:

Clippie Maze

President

Martha Montoya

Administrator

**Assurance Tax Accounting PC**

Johnny Mangu, MBA, CPA, CGFM, CGMA

Principal