

**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, 2016**

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;
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**CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION**

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**CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
OFFICIAL ROSTER
For the Year Ended December 31, 2016**

Name	Title
Cipie Maez	President
Ross Martinez	Vice-President
Sabino Rivera	Secretary/Treasurer
Tom Montano	Board Member
Veronica Lopez	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, 2016. 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 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 under "Tier System Reporting Main Page" and it was determined that the Canjilon falls under the Tier 5 procedures. General revenues were \$73,216.55 and capital projects were started.

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.

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Results of Procedure 2(a):

We determined that all bank reconciliations were performed. The bank reconciliations were 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.

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 of 2016. 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.

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 not signed as certified and approved. See finding 2016-003.

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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 87% 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.

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.

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Results of Procedure 5(a):

We randomly selected a sample of cash disbursements equal to 63% 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. See finding 2016-004 for Procurement Code compliance finding. Because the Association was not using the appropriate mileage reimbursement rate, it resulted in one underpayment, the underpayment amounted to \$6.86 for the items tested. See finding 2016-005.

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 2016, no testing was performed in this area.

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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 2016, 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 approved by the Association Board.

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.

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:

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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 did not provide any bidding documentation to show that other providers were considered. See finding 2016-004.

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.

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Results of Procedure 8(e):

Capital Project Agreement did not require status reports to be submitted to the state agency. No work was performed in this area.

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 two state-funded capital outlay expenditures of \$35,000 on 11/08/2016 and \$35,500 on 11/22/2016 during the audit period. The project was not intended to be funded in advance but on a reimbursement basis. For the \$71,500 reimbursement, the project was invoiced on 10/18/2016 and payment to the vendor was completed on 12/12/2016.

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 \$71,500 state-funded Capital Appropriation, and for the audit period there were two capital outlay expenditures adding to \$71,500. The unexpended balance for the Capital Appropriation is 0. The Reversion Date is 06/30/2017 for \$35,000 and 06/30/2018 for \$36,500.

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.

Results of Procedure 8(h):

The check received from the NM Environment Department was deposited in the Association's checking account at Washington Federal Bank. When the funds were received from the NMED, the disbursement to the vendor was completed on 12/12/2016.

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.

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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 invoice submitted to the Association for work done on the waterline extension and installation. 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(I) NMAC.

Results of Procedure 9:

The Association did not submit their independent Public Accountant (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 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, 2016

	Budgeted Amount		Actual	Variance
	Original	Final	Budget Basis	Favorable (Unfavorable)
Revenue				
Chages for services	\$ 69,977	\$ 69,977	\$ 67,603	\$ (2,374)
Grants and contracts	-	-	77,053	77,053
New memberships	50	50	1,000	950
Othe income	-	-	4,614	4,614
	<u>\$ 70,027</u>	<u>\$ 70,027</u>	<u>\$ 150,270</u>	<u>\$ 80,243</u>
Expenses				
Salaries and payroll taxes	\$ 6,534	\$ 6,534	\$ 7,073	\$ (539)
Operating Expenses	20,738	20,738	26,605	(5,867)
Contractual services	15,064	15,064	28,594	(13,530)
Capital outlay	-	-	71,500	(71,500)
Utilities	3,852	3,852	3,772	80
Debt service	13,948	13,948	12,136	1,812
	<u>\$ 60,136</u>	<u>\$ 60,136</u>	<u>\$ 149,680</u>	<u>\$ (89,544)</u>
Revenues over (under) expenditures	<u>\$ 9,891</u>	<u>\$ 9,891</u>	<u>\$ 590</u>	<u>\$ (9,301)</u>

**CAMJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016**

Prior Year Findings:

None

Current Year Findings

Finding 2016 - 001 – Budget approval and quarterly reporting and exceeded budget authority

Finding 2016 - 002 – Late Agreed-Upon Procedures report and
IPA Recommendation

Finding 2016 – 003 – No Board Certification of Inventory at Fiscal Year-End

Finding 2016 – 004 – No Supporting Documentation Provided for Procurement

Finding 2016 - 005 – Regulations Governing the Per Diem and Mileage

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION**
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED DECEMBER 31, 2016

Finding 2016-001 – Budget Approval, Quarterly Reporting and Exceeded Budget Authority

Condition:

The Association did not prepare or submit their operating results quarterly to DFA. The Association did not submit an amended budget for approval to NM DFA LGD resulting in expenditures exceeding budget authority.

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 District 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
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SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED DECEMBER 31, 2016

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

Condition:

The Association did not submit their 2016 agreed-upon procedures report to the Office of the State Auditor by June 15, 2017, the due date of the report. In addition, the IPA recommendation for 2016, which was due on January 1, 2017, was not submitted to the State Auditor until November 28, 2017.

Criteria:

2.2.2 NMAC (State Audit Rule) requires submission of the IPA recommendation by January 1, 2017. 2.2.2 NMAC also requires submission of audit reports within five and a half months after year-end, or June 15, 2017.

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
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SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED DECEMBER 31, 2016

Finding 2016-003 - No Board Certification of Inventory at Fiscal Year-End

Condition:

For the year ending December 31, 2016 the Association did perform and document a physical inventory of its capital assets. The governing body of the Association did not certify the correctness of the capital asset inventory after the physical inventory was performed.

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). Upon completion, the inventory shall be certified by the governing authority as to correctness." Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

Cause:

The Association was not aware of the annual capital asset inventory laws and regulations.

Effect:

The Association does not have a certified listing for the value of its capital assets as of December 31, 2016 which is useful for the Association to properly control, account for, and manage its capital assets.

Recommendation:

At the end of each year, the Association should perform and document a complete physical inventory of its capital assets. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Association. The Association should develop and implement written policies and procedures to perform the capital asset inventory on an annual basis, record and account for its capital assets in accordance with state laws and regulations.

Management's Response:

Effective immediately, the Association's President will create a policy and procedure and perform a complete physical inventory of its capital assets which will include the required data. After the inventory is performed, the inventory listing will be certified as to correctness and signed by the governing body at the end of the fiscal year.

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS
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SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED DDECEMBER 31, 2016

Finding 2016-004 – No Supporting Documentation Provided for Procurement

Condition:

The Association did not provide supporting documentation for Procurement that other providers were considered for the project.

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
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SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED DDECEMBER 31, 2016

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 one underpayment, the underpayment amounted to \$6.86 for the items tested.

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 require

**CANJILON MUTUAL DOMESTIC WATER CONSUMERS
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EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2016

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:

Cipie Maez

President

Martha Montoya

Administrator

Assurance Tax Accounting PC

Johnny Mangu, MBA, CPA, CGFM, CGMA

Principal