

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Cerro Regional Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2018

**Cerro Regional Mutual Domestic Water Consumers Association
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Fiscal Year Ending December 31, 2018**

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**Cerro Regional Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2018**

Board of Directors

Vilma Bailon, President

Vacant, Vice President

Paul Quintana, Secretary/Treasurer

Daniel Quintana, Board Member

Eugene Garcia, Board Member

Marshall Bailon, Board Member

Administrative Staff

Pablo Archuleta, Certified Water Operator

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors

Cerro Regional Mutual Domestic Water Consumers Association

and

Brian S. Colon, Esq., New Mexico State Auditor

I have performed the procedures enumerated below for the Cerro Regional Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2018, 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 Association 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. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

Based on a review of the Association's year-end financial report to the New Mexico Department of Finance & Administration, Local Government Division, total revenues for the fiscal year ending December 31, 2018 were \$27,839 (excluding \$25,267 of capital appropriation revenue from the New Mexico Department of Environment). Based on this information, the Association was properly determined to be a Tier 3 entity for 2018 since their total revenues were less than \$50,000 and they expended at least 50% of a capital appropriation grant during 2018.

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 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 advertised, obtained bids or quotes and awarded the contracts in accordance with its procurement policies and the State Procurement Code.

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

The completed project work was physically observed on March 25, 2019. The project work agreed with the contractor's invoices.

- 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 provided documentation showing that the periodic project status reports were submitted. The amounts reported in the status reports agreed with the Association's general ledger and the supporting documentation submitted to the New Mexico Environment Department (NMED).

- 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.

The project was not funded in advance. The Association was required to submit disbursement request forms to the NMED along with the contractor's invoices and other supporting documentation.

- 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.

The project work has not been completed. As of December 31, 2018, the unexpended balance of capital appropriation project #16-A2312-STB was \$13,326.74. According to the grant agreement, the unexpended balance is not required to be reverted to the State

of New Mexico until June 30, 2020. See the Schedule of Capital Outlay Awards on p. 5 of this report.

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.

The Association used its checking account at the Centinel Bank in Taos, NM to account for the cash receipts and disbursements for this project.

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.

In 2017, the Association submitted two disbursement request forms to the NMED, and one disbursement request form in 2018. Based on the disbursement request forms and the terms of the grant agreement, the NMED paid a total amount of \$19,249.30 to the Association in 2017, and \$12,423.96 in 2018. The amounts requested in the disbursement request agreed with the contractor's invoices and supporting documentation. The requests for payment were supported by costs incurred by the Association.

In 2017, the Association paid the contractors \$19,249.30 prior to the request for payment forms. In 2018, the Association paid the contractors \$2,522.85 prior to the request for payment forms and \$9,901.11 was paid to a contractor after the Association received a check from the NMED.

7. 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 for which there were expenditures during the fiscal year.

See the Schedule of Capital Outlay Awards on p. 5 of this report.

8. 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 findings were noted during the agreed-upon procedures.

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 subject matter. 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 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 25, 2019

**Cerro Regional Mutual Domestic Water Consumers Association
 Schedule of Capital Outlay Awards
 For the Fiscal Year Ending December 31, 2018**

	1
Amount Awarded for Project	\$ 45,000.00
Amount Received and Expended in 2017	(19,249.30)
Amount Received and Expended in 2018	<u>(12,423.96)</u>
Remaining Balance	<u><u>\$ 13,326.74</u></u>

Agreement Provisions

**1 - Grant Agreement Between the New Mexico Department of Environment and the
 Cerro Regional Mutual Domestic Water Consumers & Sewage Works Association
 Fund 89200 Capital Appropriation Project #16-A2312-STB**

Legislative Authority: NM Laws of 2016, Chapter 81, Section 18, Paragraph 82

Date of Agreement: November 3, 2016

Project Description: To plan, design and construct water system improvements for the Cerro Regional Mutual Domestic Water Consumers and Sewage Works Association in Cerro in Taos County.

Estimated Project Cost: \$45,000

State Grant Amount: \$45,000

Agreement termination/reversion date: June 30, 2020

**Cerro Regional Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018**

Status of Prior Year Findings

Finding 2012-001. Late Agreed-Upon Procedures Contract and Report – Resolved.

Finding 2016-001. No Written Procurement Policies and Procedures – Resolved.

Finding 2016-002. Non-Submission of Project Status Reports – Resolved.

Current Year Findings

None.

Cerro Regional Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2018

On March 25, 2019, an exit conference was held with the following officials to discuss the results of the agreed upon procedures and the contents of this report:

Cerro Regional Mutual Domestic Water Consumers Association

Vilma Bailon, President

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager