

**STATE OF NEW MEXICO**

**GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

**Independent Accountants' Report on  
Applying Tier 5 Agreed-Upon Procedures**

**For the Year Ended  
June 30, 2011**

James L. Hartogenesis, CPA LLC

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Certified Public Accountant

**STATE OF NEW MEXICO  
GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

Table of Contents

	Page
<b>Official Roster.....</b>	<b>1</b>
<b>Independent Accountants' Report on Applying Agreed-Upon Procedures.....</b>	<b>2-7</b>
<b>Schedule of Revenues and Expenses- Budget and Actual (Cash Basis).....</b>	<b>8</b>
<b>Schedule of Capital Projects.....</b>	<b>9</b>
<b>Schedule of Findings and Responses.....</b>	<b>10-17</b>
<b>Status of Prior Year Findings.....</b>	<b>18</b>
<b>Exit Conference.....</b>	<b>19</b>

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
OFFICIAL ROSTER  
JUNE 30, 2011

**Board of Directors**

Name	Title
Mark Trujillo	President
Robert Martinez	Vice-President
Geraldine Baca	Treasurer
Shelley Winship	Secretary

**General Counsel**

Ted Trujillo	General Counsel
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**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

To: Board of Directors  
Greater Chimayo Mutual Domestic  
Water Consumers Association  
and  
Honorable Timothy M. Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by State of New Mexico Greater Chimayo Mutual Domestic Water Consumers 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 Cash, Capital Assets, Revenues, Expenditures, Journal Entries, Budget and Capital Outlay information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2011. The Association is responsible for its financial reporting as described above. 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 those parties specified in the report. Consequently, I 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.

In accordance with Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

**1. CASH**

**Procedures**

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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Association.

b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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.

### **Findings**

3 of 12 operating account bank reconciliations, 2 of 12 savings account reconciliations, and 1 of 12 BOR II account reconciliations were not completed timely. All reconciliations were prepared and accurate, and all bank statements were on-hand. The Association did not submit any reports to DFA-LGD, see finding 2009-006. The Association's savings account had an uninsured balance of \$34,008 on June 30, 2011. No pledged collateral was noted, see finding 2011-003.

## **2. CAPITAL ASSETS**

### **Procedures**

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

### **Findings**

The Association did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978, see finding 2009-004.

## **3. REVENUE**

### **Procedures**

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.

Select a sample of revenues based on auditor judgment using the following attributes:

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

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.

### **Findings**

Actual service revenues were \$73,650 less than budgeted revenues. Revenues from grants and contracts were under budgeted by \$145,096. See finding 2011-001. A sample of 24 cash receipts were tested. All deposits were agreed to billing reports and the general ledger without exception.

## **4. EXPENDITURES**

### **Procedures**

Select a sample of cash disbursements based on auditor judgment using 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 cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established 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 (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### **Findings**

25 disbursements were tested. There was no invoice provided for 6 of 25 disbursements, totaling \$1,925. Approvals were not documented for 19 of 25 disbursements tested, totaling \$9,606. See finding 2010-003. Documentation of procurement was not provided for 3 of 25 disbursements tested in the amount of \$11,415. See finding 2010-004.

## **5. JOURNAL ENTRIES**

### **Procedures**

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.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Findings**

Documentation of journal entries was not provided. See finding 2010-005.

## **6. BUDGET**

### **Procedures**

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

### **Findings**

The Association prepared and approved a budget but did not submit it to DFA-LGD for the current fiscal year. See finding 2009-006. Actual expenses exceeded budgeted expenses in the amount of \$9,001. See finding 2011-001.

## **7. CAPITAL OUTLAY APPROPRIATIONS**

### **Procedures**

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 canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established 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).
- d) Determine the physical existence (by observation) of the capital asset based on 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.
- 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.
- 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.
- 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.
- 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.



## **Findings**

The Association had 3 state-funded capital outlay projects during the current fiscal year. No evidence of procurement was provided for all 4 disbursements totaling \$47,927, see finding 2010-004. 6 disbursements to contractors totaling \$58,834 were made more than 15 days after receipt of the funds from the state, see finding 2011-002. \$26,737 was received from the state for Project 07-4511. \$8,825 was subsequently disbursed by the Association. It could not be determined whether the remaining \$17,912 was ever disbursed, see finding 2011-002. All other attributes were tested without exception.

## **8. OTHER**

### **Procedures**

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.

### **Findings**

The Association did not complete an auditor recommendation or submit their annual agreed-upon procedures report to the Office of the State Auditor by the statutory deadline. See finding 2009-002 (2008-01) in the accompanying schedule of findings and responses.

No other findings were noted.

I was not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Association's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of State of New Mexico Greater Chimayo Mutual Domestic Water Consumers Association, New Mexico Office of the State Auditor, the New Mexico Legislature, and 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.

*James L. Hartogensis, CPA LLC*

Albuquerque, New Mexico  
August 31, 2016

**SCHEDULE OF REVENUES AND EXPENSES**

**BUDGET AND ACTUAL (CASH BASIS)**

**STATE OF NEW MEXICO  
 GREATER CHIMAYO MUTUAL DOMESTIC  
 WATER CONSUMERS ASSOCIATION  
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CASH BASIS)  
 Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
Charges for services	\$ 163,600	\$ 163,600	\$ 89,950	\$ (73,650)
Grants and contracts	-	-	145,096	145,096
Other income	<u>1,500</u>	<u>1,500</u>	<u>914</u>	<u>(586)</u>
 Total revenues	 <u>\$ 165,100</u>	 <u>\$ 165,100</u>	 <u>\$ 235,960</u>	 <u>\$ 70,860</u>
<b>EXPENDITURES:</b>				
Professional fees	\$ 67,436	\$ 67,436	\$ 37,006	\$ 30,430
Operating expenses	40,925	40,925	24,157	16,768
Business expenses	21,840	21,840	5,442	16,398
Other expenses	9,300	9,300	-	9,300
Construction	-	-	74,143	(74,143)
Debt service	<u>10,063</u>	<u>10,063</u>	<u>17,817</u>	<u>(7,754)</u>
 Total expenditures	 <u>149,564</u>	 <u>149,564</u>	 <u>\$ 158,565</u>	 <u>\$ (9,001)</u>

## **SCHEDULE OF CAPITAL PROJECTS**

STATE OF NEW MEXICO  
 GREATER CHIMAYO MUTUAL DOMESTIC  
 WATER CONSUMERS ASSOCIATION  
 SCHEDULE OF CAPITAL PROJECTS  
 Year Ended June 30, 2011

Project Number	Project Name	Amount Awarded	Amount Received	Amount Expended	Remaining Balance	Legislation/ Effective Dates
07-4511-GF	Greater Chimayo MDWCA Community Water System	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	Laws of 2007, Ch. 42/Sec. 59 7/1/2007 - 6/30/2011
08-3886-GF	Greater Chimayo MDWCA Water System	30,000	29,991	29,991	9	Laws of 2008, Ch. 92/Sec. 48 7/1/2008 - 6/30/2012
08-3122-STB	Greater Chimayo MDWCA Purchase Land/Water Facilities	120,000	24,271	24,271	95,729	Laws of 2008, Ch. 92/Sec. 15 7/1/2008 - 6/30/2012

**STATE OF NEW MEXICO  
GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2011**

**Current Year Findings**

2009-002 (2008-01) – Late Audit Report and Recommendation (Significant Deficiency, Noncompliance)

*Condition:* The Association did not submit their 2011 agreed-upon procedures report to the Office of the State Auditor by November 30, 2011, the due date of the report. In addition, the auditor recommendation for 2011 was not submitted to the State Auditor until July 2016.

*Criteria:* 2.2.2 NMAC (State Audit Rule) requires submission of auditor recommendations at least 30 days prior to year-end, or by May 31, 2011. 2.2.2 NMAC also requires submission of audit reports within five months after year-end, or November 30, 2011.

*Cause:* The Association did not recommend and contract with an audit firm until January 2016.

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

*Recommendation:* The Association should prepare the annual auditor recommendation by May 31 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 within five months after year-end.

*Agency's Response:* The current Board (as of September 2014) recognizes the need to comply with State auditing rules. While the current Board cannot speak in behalf of the former GCMDWCA Board of Directors, it was clear, based on documents and correspondences within the office, that the audit requirement was clearly known, but appeared not to be an immediate priority. A CPA was retained but did not produce any substantive report(s). Under the newly elected Board of Directors we have identified this requirement and are actively addressing and budgeting the completion of all required audits to remain compliant. GCMDWCA has further developed a schedule to ensure time lines are met to solicit an independent State approved Certified Public Accountant (CPA) to complete our annual audit requirements. Further, since assuming responsibility for the operation of the system, the present Board has prioritized the need for Audit and has since released Robert Rivera, the former CPA from the process and GCMDWCA went out on RFP for services of auditors who would do audits of small water systems. GCMDWCA was able to finally enlist the present CPA, Mr. James Hartogensis to complete the 2011 audit.

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings - continued**

**2009-004 - Capital Asset Inventory Not Completed (Significant Deficiency, Noncompliance)**

*Condition:* The Association did not perform an inventory of capital assets for the year ended June 30, 2011.

*Criteria:* Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

*Cause:* The Association was not aware of this statutory requirement.

*Effect:* Lack of an annual inventory of capital assets may prevent the Association from properly safeguarding their assets. Timely replacement of unusable or obsolete assets may be prevented, which could affect the overall operation of the water delivery system.

*Recommendation:* The Association should complete an inventory of their capital assets annually, on or near year-end. The inventory should include all intangible assets, equipment and infrastructure owned by the Association, and it should be certified by management in accordance with state statute.

*Agency's Response:* GCMDWCA will correct this deficiency by completing and certifying an annual inventory of its capital assets.

**2009-006 – DFA Reporting (Noncompliance)**

*Condition:* The Association did not submit a budget to the New Mexico Department of Finance & Administration (DFA) – Local Government Division for certification. As a local public body, the Association is also required to transmit operating results quarterly to DFA, which were not submitted.

*Criteria:* Section 6-6-2 NMSA 1978 requires all local public bodies to submit their operating budget annually to DFA Local Government Division for certification. DFA also requires quarterly reporting by all agencies on prescribed forms.

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings - continued**

2009-006 – DFA Reporting (Noncompliance) - continued

*Cause:* The Association was not aware of the reporting requirements imposed by statute and DFA.

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

*Recommendation:* I 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.

*Agency's Response:* GCMDWCA has established an excellent relationship with the assigned NM DFA-LGD Budget Analyst, Mr. Tom Dixon, with whom all budgetary reporting requirements and compliance issues are dispositioned.

2010-001 - Bank Reconciliations Not Timely (Significant Deficiency)

*Condition:* 3 of 12 operating account bank reconciliations, 2 of 12 savings account reconciliations, and 1 of 12 BOR II account reconciliations were not completed timely.

*Criteria:* Internal control and proper stewardship requires timely and accurate bank reconciliations each month.

*Cause:* The Association did not have a policy to complete the reconciliations timely.

*Effect:* If cash is not reconciled accurately and reported in a timely manner, it may be difficult to properly safeguard the Association's assets. Errors may be undetected until it is too late to correct.

*Recommendation:* I recommend the Association implement policies and procedures that require timely and accurate completion of the bank reconciliation each month. The procedures should provide for proper review and approval of the reconciliation by a person independent of the accounting function.



**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings – continued**

2010-001 - Bank Reconciliations Not Timely (Significant Deficiency) - continued

*Agency's Response:* All bank reconciliations are performed by an independent budget analyst who develops the monthly budget, balance sheets, and profit and loss reports, in addition to quarterly budget reports for NM DFA-LGD. This individual reconciles all expenditures and income as well.

2010-003 Lack of Supporting Documents and Approvals for Operating Disbursements (Significant Deficiency)

*Condition:* 6 out of 25 operating disbursements tested, totaling \$1,925, had no invoice or other supporting documentation retained by the Association. 19 of 25 operating disbursements, totaling \$9,606 had no documented approval.

*Criteria:* Proper internal controls dictate that a disbursement should only be made once the invoice is received and applicable authorizations are complete. These steps should be documented and the paperwork retained.

*Cause:* The Association did not retain documentation of invoices and approvals for disbursements for operating expenses.

*Effect:* Disbursements may be made that are not properly approved. The Association may be subject to fraud waste or abuse by not properly authorizing and retaining documentation for every transaction.

*Recommendation:* The Association should adopt a policy that outlines procedures for the authorization, documentation and retention of all disbursements, whether made by an outside entity or by the Association.

*Agency's Response:* GCMDWCA will develop a policy where all incoming and outgoing disbursements are duly documented, authorized and recorded for record keeping and archival purposes.

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings - continued**

**2010-004 Procurement Violations (Noncompliance, Significant Deficiency)**

*Condition:* The Association could not provide evidence of procurement for 4 of 7 state capital outlay disbursements tested, in the amount of \$47,927. Documentation of procurement was also not retained for 3 operating disbursements to a vendor totaling \$11,415.

*Criteria:* Agencies are required to comply with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) in order to obtain the best available terms for construction contracts.

*Cause:* The Association relied on a contract engineering firm to provide procurement services. Documentation was not retained relating to advertising for bids, bids received and bids awarded.

*Effect:* It could not be determined whether the Association received the best available terms for their construction contracts and other purchases. The Association may be exposed to fraud, waste or abuse of taxpayer monies.

*Recommendation:* I recommend the Association implement a procurement policy that complies with the state procurement code, and provides for retention of all documents related to each procurement.

*Agency's Response:* GCMDWCA, at the time relied on the past performance and reputation of the Engineering firm, at the time, to receive the best value for the money. Procurements were vetted to the Association for review and approval prior to taking action. During this period there were several state entities that were also cognizant of the vetting and selection process. Nonetheless, GCMDWCA will work with the Engineer of Record to produce documentation related to the advertising of bids, selection and award. The awards were done in accordance with NM procurement code. GCMDWCA, in principle does not agree with this finding and will research this further.

**2010-005 – No Documentation or Approval of Journal Entries (Significant Deficiency)**

*Condition:* Journal entries are prepared and posted to the general ledger by the Association's accountant with no supporting documentation and without review and approval from a board member. Supporting documentation, including approvals and other backup, was not retained.

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings - continued**

**2010-005 – No Documentation or Approval of Journal Entries (Significant Deficiency) - continued**

*Criteria:* Because journal entries are a way to override the accounting system, organizations should always implement strong internal controls to mitigate the risk of material misstatements from journal entries. Section 12-6-3 B(6) NMSA 1978 requires the independent public accountant to determine whether the local public body has procedures in place that requires journal entries to be reviewed, and that evidence of the review is documented.

*Cause:* The Association does not have a policy or procedure in place that requires document retention, and board review and approval of journal entries prior to posting to the Association's books.

*Effect:* Without a policy for retaining, reviewing and approving journal entries, there is an increased risk that a material misstatement in the Association's financial statements will not be prevented, detected or corrected.

*Recommendation:* I recommend the Association adopt a policy for documenting, reviewing and approving journal entries prior to recording them in the general ledger. I also recommend the Association review other existing accounting policies and procedures to ensure all transactions that are recorded in the financial statements are properly authorized and documented.

*Agency's Response:* GCMDWCA will adopt a policy for documenting, reviewing and approving journal entries prior to recording them in the general ledger. GCMDWCA will ensure all transactions are recorded in the financial statements are properly authorized and documented.

**2011-001 – Budget Violations (Significant Deficiency, Noncompliance)**

*Condition:* Actual expenses exceeded budgeted expenses in the amount of \$9,001 at the fund level, which is the legal level of budgetary control. State capital outlay revenues and expenses were also not considered during the budget process.

*Criteria:* 2.2.2.10 P(1)(a) NMAC requires reporting a finding if actual expenditures exceed budgeted expenditures at the legal level of budgetary control. The budget is part of the internal controls of the organization, and a good system of internal controls requires budgeting for all sources and uses of funds.

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings - continued**

**2011-001 – Budget Violations (Significant Deficiency, Noncompliance) - continued**

*Cause:* The Association did not originally budget for state capital outlay activity, and the budget was not amended to include those sources and uses of funds.

*Effect:* By not authorizing and monitoring a complete budget, including expenses paid for by an outside entity, unauthorized expenditures may occur and not be detected.

*Recommendation:* The Association should review their budgeted and actual expenses monthly, including all expenses funded by outside entities. If excess expenses are necessary, the Association should prepare and approve budget adjustments in a timely manner. If required, DFA approval should also be obtained for any adjustments to the budget.

*Agency's Response:* The GCMDWCA currently conducts monthly budget review, for consideration and approval during its regular monthly board meeting, and if necessary Special Board meetings where unforeseen circumstances require budget adjustments. The Board adopts the motion by Resolution and where needed, seeks NMDFA approval where significant funding changes may be required.

**2011-002 – Capital Outlay Noncompliance (Noncompliance)**

*Condition:* 6 disbursements to contractors totaling \$58,834 were made more than 15 days after receipt of the funds from the state, see finding 2011-002. \$26,737 was received from the state for Project 07-4511. \$8,825 was subsequently disbursed by the Association. It could not be determined whether the remaining \$17,912 was ever disbursed.

*Criteria:* 2.2.2.16 B(5) and State Auditor Tier 5 procedures require that a finding be reported if vendors are paid more than 15 days after receipt of state capital outlay funds.

*Cause:* The Association was not aware of this requirement.

*Effect:* Vendors were not paid timely. The Association did not comply with the terms of grant agreements and construction contracts.

*Recommendation:* I recommend that the Association review all contracts and implement policies and procedures to maintain ongoing compliance.

**STATE OF NEW MEXICO**  
**GREATER CHIMAYO MUTUAL DOMESTIC**  
**WATER CONSUMERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED JUNE 30, 2011

**Current Year Findings - continued**

**2011-002 – Capital Outlay Noncompliance (Noncompliance) – continued**

*Agency's Response:* The Association will record all transactions on their books, whether or not GCMDWCA actually writes the check. In instances where capital projects or projects involving either external grants, bonds or funding other than from general water revenue, a separate bank/checking account and ledgers will be created/established to ensure all funding is tracked and accounted for. Payment to contractors will be made in accordance with procurement code and agreed upon contract with vendor(s).

**2011-003 – Uninsured Bank Balance (Noncompliance)**

*Condition:* At June 30, 2011, the Association's savings account balance exceeded FDIC insurance in the amount of \$34,008. There was no collateral pledged by the financial institution.

*Criteria:* Section 6-10-17 NMSA 1978 requires banks to pledge collateral equal to 50% of uninsured government bank balances. The Federal Deposit Insurance Corporation insured bank balances for \$100,000 until October 3, 2008, when it was raised to \$250,000.

*Cause:* The Association received an advance from Santa Fe County in June of 2011 that caused the bank balance to be partially uninsured and uncollateralized. The Association was unaware of statutory requirements related to uninsured bank balances.

*Effect:* The Association was exposed to increased risk as a result of deposits exceeding insured amounts.

*Recommendation:* I recommend the Association become knowledgeable about state law regarding public monies and adopt a banking policy as part of its overall risk management policies. The policy should include a requirement that financial institutions pledge collateral equal to at least 50% of any uninsured deposits.

*Agency's Response:* GCMDWCA will become knowledgeable about state law banking policy as part of our overall risk management policy regarding public monies. GCMDWCA will adopt a policy that will include a requirement to at least 50% of any uninsured deposits.

**STATE OF NEW MEXICO  
GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2011**

**Prior Year Findings**

**Current Status**

2009-002 (2008-01)-Late Audit Report and Recommendation	Repeated and modified
2009-003-Budget Compliance	Resolved
2009-004-Capital Asset Inventory Not Completed	Repeated and modified
2009-006-DFA Reporting	Repeated and modified
2010-001-Bank Reconciliations Not Accurate or Timely	Repeated and modified
2010-002-Recording of Cash receipts in the General Ledger	Resolved
2010-003-Lack of Supporting Documents and Approval for Operating Disbursements	Repeated and modified
2010-004-Procurement Violations	Repeated and modified
2010-005-No Documentation or Approval of Journal Entries	Repeated and modified
2010-006-Capital Outlay Not Recorded	Resolved

**STATE OF NEW MEXICO  
GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2011**

The report contents were discussed at an exit conference held on August 16, 2016 with the following in attendance:

**Greater Chimayo Mutual Domestic Water Consumers Association**

Paul Martinez	President
Benny Vigil Jr.	Vice-President
Ted Trujillo	General Counsel

**James L. Hartogenesis, CPA LLC**

James Hartogenesis, CPA, CGFM	Principal
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