

**State of New Mexico**  
**East Pecos Mutual Domestic Water Consumers Association**  
**2016 Tier 4 Agreed Upon Procedures Report**  
**December 31, 2016**

**East Pecos Mutual Domestic Water Consumers Association**

**2016 Tier 4 Agreed Upon Procedures Report**

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## Official Roster

As of December 31, 2016

### Board of Directors

Ramon Orlando Vigil, President

Robert Baca, Treasurer

Kathy Wallace Secretary, Treasurer

Ralph Vigil Member

David Vigil Member

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Timothy Keller  
New Mexico State Auditor  
and  
Ramon Orlando Vigil, President  
East Pecos Mutual Domestic Water Consumers Association

We have performed the procedures enumerated below, which were agreed to by the New Mexico Office of the State Auditor and East Pecos Mutual Domestic Water Consumers Association (Association), on the accompanying Schedule of Revenues and Expenditures – Budget to Actual for the year ended December 31, 2016. The Association's management is responsible for the Schedule of Revenues and Expenditures – Budget to Actual for the year ended December 31, 2016. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

The Accountant verified the Association's calculation and determination as a Tier 4 agreed upon procedures engagement.

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.

The bank reconciliations were performed on monthly basis and bank statements for the fiscal year were complete and on-hand.

- 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 DF A-Local Government Division.

Each of the bank reconciliations tested had ending balances that traced to the general ledger, supporting documentation and financial reports submitted to DFA-Local Government Division.

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- 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.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank balances were well below \$250,000 during the fiscal year.

### 3. Capital Assets

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

The Association performs a yearly inventory as required.

### 4. Revenues

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.

The revenue sources of the Association consist of water user fees and interest. The variances between actual revenue and budgeted revenue were adequately explained by the Association's bookkeeper and Treasurer; no unusual or unexplained variances were noted. The Association did budget to receive a state grant; however, the grant was not received during the fiscal year ending December 31, 2016.

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

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

A sample of cash receipts was judgmentally selected and tested. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement for each receipt tested.

- 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.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

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## 5. Expenditures

Select a sample of cash disbursements based on auditor judgment and test 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 vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested. The amounts recorded as disbursed agreed with the supporting documentation available which included canceled checks, invoices, board minutes and bank statements.

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

Each of the disbursement reviewed by the accountant was traced to the minutes of the meetings of the board of directors which included the Treasurer's report. The report included a list of checks/disbursements that were reviewed and approved by the board.

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

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations.

## 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.

The accountant reviewed the general ledger for the fiscal year ended December 31, 2016. Only one journal entry was noted. The entry appeared reasonable and the was adequate 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.

The Treasurer provides a report to the board at each meeting that includes a list of checks and entries that the board then reviews and approves. The accountant reviewed the minutes to the board meetings and noted in the minutes the Treasurer's report and the approval of the report by the board.

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## 7. Budgets

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.

The original budget was adopted and approved by the Association's Board of Directors on June 1, 2016. The budget was approved by DFA-LGD on June 29, 2016. All of the Association budget adjustments for the fiscal year were approved.

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

Actual expenditures did not exceed the approved budget for the fiscal year ending December 31, 2016. See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

- 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.

See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

## 8. Other

- a. 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 (1)(3)(C) NMAC. No other findings were noted during the agreed-upon procedures.

All matters that came to the IPA's attention are listed in the Schedule of Findings and Responses.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Schedule of Revenues and Expenditures – Budget to Actual. 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.

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This report is intended solely for the information and use of the management of East Pecos Mutual Domestic Water Consumers Association, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Zlotnick Law & Sandoval, P.C.*

Zlotnick, Laws & Sandoval, PC

August 28, 2017



East Pecos Mutual Domestic Water Consumers Association

2016 Tier 4 Agreed Upon Procedures Report

Schedule of Revenues and Expenditures – Budget to Actual

Non-GAAP Cash Basis

For the Fiscal Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water User Fees	\$ 52,980	52,979	53,691	\$ 712
Interest Income	63	63	66	3
State Grants - Capital Outlay	98,000	98,000	-	(98,000)
<b>Total Revenues</b>	<b>\$ 151,043</b>	<b>151,042</b>	<b>53,757</b>	<b>\$ (97,285)</b>
Expenditures				
Equipment	\$ -	-	-	\$ -
Maintenance	26,186	26,186	2,543	23,643
Office Supplies	135	135	2,099	(1,964)
Insurance	100	100	100	-
Postage	855	855	888	(33)
Bank fees	41	41	-	41
Contract labor	8,110	8,110	7,606	504
Professional Services	10,029	10,029	30,317	(20,288)
Utilities	4,964	4,964	4,507	457
Dues and Subscriptions	81	81	108	(27)
Professional Services - Attorney	20,000	20,000	-	20,000
Professional Services - Design	78,000	78,000	-	78,000
Miscellaneous	1,813	1,813	686	1,127
<b>Total Expenditures</b>	<b>\$ 150,314</b>	<b>150,314</b>	<b>48,854</b>	<b>\$ 101,460</b>

*See Independent Accountant's Report on Applying Agreed-Upon Procedures*

East Pecos Mutual Domestic Water Consumers Association

2016 Tier 4 Agreed Upon Procedures Report

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Year-end Financial Report Submitted to DFA

	<u>Jan - Dec 16</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Sales Income	20,482.74
Services Income	34,410.00
Water Dues	-1,202.03
<b>Total Income</b>	<u>53,690.71</u>
<b>Gross Profit</b>	53,690.71
<b>Expense</b>	
Continuing Education	369.00
Contract Labor	1,396.22
Deposit Correction	0.52
Dues and Subscriptions	107.64
Insurance Expense	100.00
Interest Expense	19.48
Meter Reading	6,210.00
Office Supplies	2,098.53
Postage and Delivery	887.80
Printing and Reproduction	298.31
<b>Professional Fees</b>	
Accountant	866.51
Bookkeeper	18,483.21
Meeting Fee	6,083.03
Surveyor	899.00
Tank Cleaning	2,900.00
Water testing	584.88
Professional Fees - Other	500.00
<b>Total Professional Fees</b>	<u>30,316.63</u>
<b>Repairs/Maintenance</b>	2,543.48
<b>Utilities</b>	<u>4,506.52</u>
<b>Total Expense</b>	<u>48,854.13</u>
<b>Net Ordinary Income</b>	4,836.58
<b>Other Income/Expense</b>	
<b>Other Income</b>	
Interest Earned	66.48
<b>Total Other Income</b>	<u>66.48</u>
<b>Net Other Income</b>	66.48
<b>Net Income</b>	<u><u>4,903.06</u></u>

*See Independent Accountant's Report on Applying Agreed-Upon Procedures*

## Schedule of Findings and Responses

### Prior Year Findings:

<u>Number</u>	<u>Description</u>	<u>Status</u>
2012-001	Budget Preparation (None Prepared)	Resolved
2012-002	Late Report	Unresolved
2012-003	Budget Reporting on Quarterly Financial Reports/Profit and Loss Reports-Submissions to DFA	Resolved
2012-004	Bank Reconciliations	Resolved
2012-005	Generally Accepted Accounting Principles/Policies and Procedures	Resolved
2012-006	Fixed Assets/Inventory	Resolved
2013-001	Failure to notify OSA of occurrence of Fraud	Resolved

2016 Tier 4 Agreed Upon Procedures Report

**Current year Findings:**

**2012-002      Late Report – Noncompliance**

**Condition:** The 2016 Tier 4 Agreed Upon Procedures Report was submitted after the due date. Additionally, reports from prior periods were likewise submitted late.

**Criteria:** NMAC 2.2.2.16 G (1): Local public bodies with a fiscal year end other than June 30 shall submit the agreed-upon procedures report or certification no later than five months after the fiscal year-end.

**Effect:** The report is not made available to the public in a timely manner and the usefulness of the Report is thereby impaired.

**Cause:** Management has failed to put controls in place to insure the timeliness of completion and filing of the Report.

**Recommendation:** We recommend that management set and follow deadlines for the completion of the bookkeeping and financial statements, for the contracting with an IPA, and the completions and submission of the report that insure timely reporting and compliance with NMAC 2.2.2.

**Association's Response:** We concur with this finding.

The Association will henceforth ensure that compliance is achieved by engaging the services of an independent audit firm by the compliance deadline.

Timeline and parties responsible for corrective action: The Association accountant has been directed to contract with an IPA as soon as all reconciliations for the period ending December 31<sup>st</sup> are completed, but no later than the end of February.

## Exit Conference

On August 9, 2017, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report in a closed meeting:

East Pecos Mutual Domestic Water Consumers Association

Ramon Orlando Vigil, President

Monica Varela, Treasurer

Arthur R Varela, Accountant

Zlotnick, Laws & Sandoval, PC

Brian Laws, CPA