



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

**LA CIENEGA MUTUAL DOMESTIC
WATER ASSOCIATION**

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

Year Ended December 31, 2013

STATE OF NEW MEXICO

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WATER ASSOCIATION**

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**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

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**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Official Roster
at December 31, 2013**

<u>Name</u>		<u>Title</u>
<u>Board of Directors</u>		
Reynaldo Romero		President
Oliver C de Baca		Vice-President
Archie Perea		Treasurer
Robert Romero		Secretary
Teresa Trujillo		Member
<u>Staff</u>		
Ana M. Berry		Accounts Manager
Reynaldo Romero		Water Operator
Robert Romero		Meter Reader
Teresa Trujillo		Transcriber



Macias, Gutierrez
& Co., P.C.

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

To: Reynaldo Romero, President
La Cienega Mutual Domestic Water Association
and
Honorable Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for La Cienega Mutual Domestic Water Association (LCMDWA), for the year ended December 31, 2013. LCMDWA was determined to be a Tier 5 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A through F. The procedures were agreed to by LCMDWA through the Office of the New Mexico State Auditor. La Cienega Mutual Domestic Water Association's management is responsible for the organization's accounting records. 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, 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. 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.
- 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 and Administration-Local Government Division (DFA-LGD).
- 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 Procedures

- a) LCMDWA has one checking account, one savings account and one money market account and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We traced the December 31, 2013 cash balances to the year-end balance sheet submitted to DFA-LGD (Exhibit D), without exception.
- c) Cumulative, single-institution bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on uninsured balances at any time during the year.

2. Capital Assets

Procedures

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

Results of Procedures

Although there are capital assets shown on the balance sheet, LCMDWA did not maintain a capital assets inventory listing and, therefore, did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978 (Finding 2010-2).

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 and test 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.

Results of Procedures

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. LCMDWA did not prepare or submit a 2013 budget to DFA-LGD for approval (Finding 2010-1); therefore, the test of actual revenue compared to budgeted revenue for the year for each revenue type could not be performed.
- b) We requested supporting documentation for fifteen (15) deposits (27% of total revenue) from a total of 64 deposits for the year. For the sample selected, amounts recorded on Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, without exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Procedures

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 the vendor's invoice, purchase order, contract and check clearing amount (cancelled checks not returned), 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).

Results of Procedures

- a) We requested supporting documentation for thirty (30) disbursements (26% of total expenditures) from a total of 160 for the year. For the sample selected, our tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with eight exceptions where either no supporting documentation was provided or the supporting documentation did not demonstrate adequate details regarding the hourly rate, the hours worked or materials provided (Finding 2010-4). For the other disbursements sampled, amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Documents provided did not demonstrate that disbursements were properly authorized, as described below, and approved in compliance with the legal requirements and established policies and procedures. Individual invoices did not show approval before payment was made nor do board minutes reflect blanket approval of monthly expenses (Finding 2010-4). Also, payments to Board members for services are employee wages but were not treated as such. These payments are subject to payroll tax withholding and employer match (Finding 2010-5).
- c) 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).

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.

Results of Procedures

LCMDWA utilizes Quickbooks to record cash transactions but the fee accountant prepares formal journal entries at the end of each month to record minor adjustments and reclassifications. The results of our tests are as follows:

- a) Journal entries are reasonable and have supporting documentation.
- b) LCMDWA does not have procedures that require journal entries to be reviewed and there is no evidence the reviews are being performed (Finding 2010-4).

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.

Results of Procedures

- a) The Board did not develop or submit a 2013 budget to DFA-LGD for approval (Finding 2010-1).
- b) Since LCMDWA did not prepare or submit a 2013 budget for DFA-LGD approval, the comparison of actual expenditures to budget for the purposes of determining whether actual expenditures exceeded the final budget does not apply.
- c) A schedule of revenues and expenses – budget and actual was prepared from LCMDWA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

Capital Outlay Appropriations

The Contractor shall 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 year.

The Contractor shall test all capital outlay expenditures during the fiscal year to:

- 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).
- 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, the Contractor shall 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, the Contractor shall determine if there is 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 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.

Results of Procedures

- a) We determined that a total of nine (9) disbursements were made during the year. No request for reimbursement was made during the year. We determined that amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoices, purchase orders, contracts and cancelled checks, as appropriate.
- b) We determined that disbursements were properly authorized and approved in compliance with the capital outlay budget, legal requirements and established policies and procedures.
- c) We determined 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).
- d) Since the approved disbursements were for water system replacement parts only, we were unable to determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) We verified 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) There was one project authorized for 2013. The project was not intended to be funded in advance but on a reimbursement basis.
- g) The project was not complete at December 31, 2013.
- h) Since the project was approved on a reimbursement basis, no separate fund or bank account was required.
- i) We determined that reimbursement requests were properly supported by costs incurred by the recipient and that the costs were paid by the local public body prior to the request for reimbursement.

Other

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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.

Results of Procedures

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts. However, see the Schedule of Findings and Responses for noncompliance and internal control issues related to the procedures for Capital Assets (Finding 2010-2), Expenditures (Finding 2010-4) and Budget (Finding 2010-1) findings described above and this Late Report submission (Finding 2010-3).

* * * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof including the accompanying Exhibits A through F. Accordingly, we do not express such an opinion. 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 La Cienega Mutual Domestic Water Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the NM Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Española, New Mexico
June 16, 2015

STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
Year Ended December 31, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Bills	\$ -	\$ -	\$ 61,060	\$ 61,060
Membership Fees	-	-	450	450
New Service Installation Fees	-	-	1,500	1,500
Legislative Funds	-	-	-	-
Interest Earned	-	-	107	107
Water Sold	-	-	1,100	1,100
Refunds	-	-	-	-
Rental - Verizon	-	-	6,877	6,877
Total revenues	-	-	71,094	71,094
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	-	-	71,094	71,094
Expenses:				
Accountant	-	-	1,298	(1,298)
Line Locates	-	-	342	(342)
Materials Purchased	-	-	10,570	(10,570)
Meter Readings	-	-	8,317	(8,317)
PRC Report	-	-	30	(30)
System Maintenance	-	-	22,611	(22,611)
Water Operator	-	-	6,975	(6,975)
Water Testing	-	-	-	-
Water Testing Kit	-	-	281	(281)
NM RIP Loan 2011-01	-	-	3,860	(3,860)
Dishonesty Bond	-	-	409	(409)
Mileage	-	-	240	(240)
Annual Billing Software Updates	-	-	527	(527)
Bookkeeping	-	-	11,196	(11,196)
CCR Preparation	-	-	150	(150)
Dues and Subs	-	-	180	(180)
Land Lease	-	-	1,250	(1,250)
Backhoe Services	-	-	320	(320)
Secretarial Work	-	-	400	(400)
Minutes Taking	-	-	1,563	(1,563)
P.O. Box Rental	-	-	288	(288)
Postage	-	-	736	(736)
Supplies	-	-	964	(964)
Training	-	-	550	(550)

STATE OF NEW MEXICO
 LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
 Year Ended December 31, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Expenses (cont'd):				
Printing and Reproduction	\$ -	\$ -	\$ -	\$ -
Software	-	-	500	(500)
Attorney	-	-	482	(482)
Application Fee	-	-	30	(30)
Liability Insurance	-	-	3,627	(3,627)
Conservation Tax	-	-	237	(237)
Gross Receipts Tax	-	-	2,822	(2,822)
Well Repairs	-	-	3,980	(3,980)
Utilities	-	-	1,178	(1,178)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	-	-	85,913	(85,913)
	<hr/>	<hr/>	<hr/>	<hr/>
Excess revenues over (under) expenses	\$ -	\$ -	\$ (14,819)	\$ (14,819)

STATE OF NEW MEXICO
 LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 Projects Schedule - Summary
 Year Ended December 31, 2013

Exhibit B

Grant No.	Pay Request	Amount Awarded	2013 Grant Amount Received	2012/2013 Grant Amount Expended	2013 Grant Remaining Balance	Actual Legislation	Effective Dates
12-1371-STB		\$ 50,000.00				Laws of 2012, Chapter 64, Section 11 Subsection 11, to the department of environment to plan, design and construct water system improvements, including water lines, for La Cienega mutual domestic water consumers and mutual sewer works association in Santa Fe county.	Through 6/30/2016
Total Project		<u>\$ 50,000.00</u>	<u>\$ -</u>	<u>\$ 14,780.28</u>	<u>\$ 35,219.72</u>		

STATE OF NEW MEXICO
 LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 Projects Schedule - Detail
 Year Ended December 31, 2013

Exhibit C

<u>Grant No.</u>	<u>Pay Request</u>	<u>Request Date</u>	<u>Grant Amount Awarded</u>	<u>Grant Amount Received</u>	<u>Date Received</u>	<u>Check Date</u>	<u>Check Number</u>	<u>Grant Amount Expended</u>	<u>Vendor Paid</u>
12-1371-STB			\$ 50,000.00	\$ -		2/9/2012	1010	\$ 2,254.05	Baker Utiltiy
				-		4/12/2012	1044	1,412.60	Baker Utiltiy
				-		11/8/2012	1121	150.89	Baker Utiltiy
				-		12/13/2012	1132	1,128.27	Baker Utiltiy
				-		1/10/2013	1143	1,020.89	Baker Utiltiy
				-		2/6/2013	1158	351.78	Baker Utiltiy
				-		3/7/2013	1174	1,851.80	Baker Utiltiy
				-		5/8/2013	1197	392.59	Baker Utiltiy
				-		8/7/2013	1231	1,321.95	Baker Utiltiy
				-		10/10/2013	1254	2,715.76	Baker Utiltiy
				-		11/14/2013	1267	213.29	Baker Utiltiy
				-		12/6/2013	1278	1,471.17	Baker Utiltiy
				-		12/9/2013	1287	495.24	Baker Utiltiy
Total Project			<u>\$ 50,000.00</u>	<u>\$ -</u>				<u>\$ 14,780.28</u>	

LA CIENEGA, MDWA
Balance Sheet
As of December 31, 2013

	<u>Dec 31, 13</u>
ASSETS	
Current Assets	
Checking/Savings	
Cash In Bank	-55.92
GCU Checking	4,094.87
GCU Money Market	30,710.57
GCU Savings	100.23
Total Checking/Savings	<u>34,849.75</u>
Total Current Assets	34,849.75
Fixed Assets	
Accumulated depreciation	-220,527.00
Improvements	382,776.42
Water rights	31,388.36
Well System	325,000.00
Total Fixed Assets	<u>518,637.78</u>
TOTAL ASSETS	<u>553,487.53</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Sales Tax Payable	2.55
Total Other Current Liabilities	<u>2.55</u>
Total Current Liabilities	2.55
Long Term Liabilities	
NMED/2011-01	55,288.19
Total Long Term Liabilities	<u>55,288.19</u>
Total Liabilities	55,290.74
Equity	
Associations Equity	126,405.38
Retained Earnings	386,610.46
Net Income	-14,819.05
Total Equity	<u>498,196.79</u>
TOTAL LIABILITIES & EQUITY	<u>553,487.53</u>

LA CIENEGA, MDWA
Profit & Loss
October through December 2013

	<u>Oct - Dec 13</u>
Ordinary Income/Expense	
Income	
Water bills	13,639.61
Total Income	13,639.61
Expense	
Accountant	1,298.00
Application fee	30.00
COST OF OPERATIONS	
Materials Purchased	4,895.46
Meter readings	2,079.21
System Maintenance	4,150.00
Water Operator	1,500.00
Total COST OF OPERATIONS	12,624.67
INSURANCE EXPENSE	
Dishonesty bond	409.00
Total INSURANCE EXPENSE	409.00
Loans	
NMED RIP 2011-01	3,859.88
Total Loans	3,859.88
OFFICE EXPENSE	
Bookkeeping	2,798.91
Dues & Subs	180.00
Minutes taking	398.00
P.O. Box Rental	288.00
Postage	92.00
Supplies	281.09
Total OFFICE EXPENSE	4,038.00
TAX EXPENSE	
Conservation Tax	67.22
Gross Receipts	691.23
Total TAX EXPENSE	758.45
Utilities	463.08
Well repairs	834.00
Total Expense	24,315.08
Net Ordinary Income	-10,675.47
Other Income/Expense	
Other Income	
Interest Earned	22.14
Verizon	1,587.00
Total Other Income	1,609.14
Net Other Income	1,609.14
Net Income	<u><u>-9,066.33</u></u>

LA CIENEGA, MDWA
Profit & Loss
 January through December 2013

	Jan - Dec 13
Ordinary Income/Expense	
Income	
Membership fees	450.00
New service installation fees	1,500.00
Water bills	61,059.89
Total Income	63,009.89
Expense	
Accountant	1,298.00
Application fee	30.00
Attorney	482.06
Backhoe services	320.00
COST OF OPERATIONS	
Line locates	341.65
Materials Purchased	10,569.94
Meter readings	8,316.84
PRC report	30.00
System Maintenance	22,611.00
Water Operator	6,975.00
Water testing kit	281.29
Total COST OF OPERATIONS	49,125.72
INSURANCE EXPENSE	
Dishonosty bond	409.00
Liability	3,627.00
Total INSURANCE EXPENSE	4,036.00
Loans	
NMED RIP 2011-01	3,859.88
Total Loans	3,859.88
Mileage	240.00
OFFICE EXPENSE	
Annual billing software updates	527.18
Bookkeeping	11,195.64
CCR preparation	150.00
Dues & Subs	180.00
Land Lease	1,250.00
Minutes taking	1,563.23
P.O. Box Rental	288.00
Postage	736.00
Secretarial work	400.00
Supplies	963.91
Training	550.00
Total OFFICE EXPENSE	17,803.96
Software	500.00
TAX EXPENSE	
Conservation Tax	237.27
Gross Receipts	2,821.60
Total TAX EXPENSE	3,058.87
Utilities	1,178.43
Void	0.00
Well repairs	3,980.00
Total Expense	85,912.92
Net Ordinary Income	-22,903.03

LA CIENEGA, MDWA
Profit & Loss
January through December 2013

	<u>Jan - Dec 13</u>
Other Income/Expense	
Other Income	
Interest Earned	106.98
Verizon	6,877.00
Water sold	1,100.00
Total Other Income	<u>8,083.98</u>
Net Other Income	<u>8,083.98</u>
Net Income	<u><u>-14,819.05</u></u>

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	2010-1
Capital Assets Inventory	D	2010-2	2010-2
Late Report	D	2010-3	2010-3
Supporting Documentation Unavailable/Inadequate and Lack of Approvals	C	2010-4	2010-4
Payments to Board Members	D	2010-5	2010-5
Follow-up on Prior Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	Repeated
Capital Assets Inventory	D	2010-2	Repeated
Late Report	D	2010-3	Repeated
Supporting Documentation Unavailable/Inadequate and Lack of Approvals	C	2010-4	Repeated
Payments to Board Members	D	2010-5	Repeated

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

2010-1

Budget Submission/Approval and Quarterly Financial Reports

Criteria

Section 6-6-2 (A) NMSA, 1978 requires each local public body to furnish and file with the DFA-LGD, on or before December 1, of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by the DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

Condition

La Cienega Mutual Domestic Water Association (LCMDWA) did not submit a 2013 budget for DFA-LGD approval. However, LCMDW submitted quarterly balance sheets and profit and loss reports but did not submit required quarterly budget to actual revenue and expenses comparison reports to the DFA-LGD at any time during the year or at year end.

Cause

LCMDWA was not aware of the DFA-LGD requirements.

Effect

LCMDWA has not complied with Sections 6-6-2 and 6-6-3 NMSA 1978.

Recommendation

We recommend that LCMDWA submit their proposed budget to DFA-LGD for approval, on or before December 1 of each year and that upon receipt of the approved budget cause such budget to be made a part of the minutes. We further recommend that LCMDWA submit required quarterly budget to actual revenue and expenses comparison reports to the DFA-LGD.

Entity Response

“All annual budgets will be prepared by the Treasurer with input from the Accounts Manager in October and the budget will be submitted to the Board for approval in November. Budget will be submitted to DFA for initial approval by December 1st. All quarterly financial reports will be submitted as required.”

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

2010-2

Capital Assets Inventory

Criteria

Section 12-6-10 NMSA, 1978 requires each local public body to, at the end of each fiscal year, conduct a physical inventory of capital assets costing more than five thousand dollars (\$5,000) and under control of the governing authority. The inventory shall list all capital assets and the date and cost of acquisition. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each local public body shall maintain one copy in its files.

Condition

La Cienega Mutual Domestic Water Association (LCMDWA) has not maintained a capital asset listing or performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

Cause

LCMDWA was not aware of the statute requirements.

Effect

LCMDWA has not complied with Section 12-6-10 NMSA 1978.

Recommendation

We recommend that LCMDWA develop a capital asset inventory listing and perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

Entity Response

“An inventory listing will be done by the Board and water operator around the end of 2015 and will be approved by the Board at the following board meeting. The inventory listing will be updated as needed by the Accounts Manager with Board approval.”

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

2010-3

Late Report

Criteria

Office of the State Auditor, Rule 2013, Section 2.2.2.16.H, requires that local public bodies with a fiscal year end other than June 30 must submit the agreed upon procedures (AUP) report no later than five months after the fiscal year end.

Condition

La Cienega Mutual Domestic Water Association (LCMDWA) has a December 31 year end but the agreed upon procedures report was submitted more than five months after the end of the fiscal year.

Cause

Since the recommendation and the AUP contract forms were not submitted on a timely basis, the independent public accountant was unable to begin and complete the work prior to the required deadline.

Effect

LCMDWA has not complied with Office of the State Auditor, Rule 2013, Section 2.2.2.16.H.

Recommendation

We recommend that LCMDWA submit all future agreed-upon procedures reports by the required deadline.

Entity Response

"The Accounts Manager will ensure that the required forms are submitted to OSA by January 1st of the following year and the agreed upon procedures are conducted and submitted to OSA by June 1st."

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

2010-4

Supporting Documentation Unavailable/Inadequate and Lack of Approvals

Criteria

Proper internal accounting controls and Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall keep the books, records and accounts in their respective offices in the form prescribed by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

Condition

La Cienega Mutual Domestic Water Association (LCMDWA) was unable to provide certain supporting documentation for expenditures testing procedures. We requested supporting documentation for thirty (30) disbursements (26% of total expenditures) from a total of 160 for the year. For the sample selected, our tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with eight exceptions where either no supporting documentation was provided or the supporting documentation did not include adequate details regarding the hourly rate, the hours worked or materials provided. We also noted that individual vendor's invoices are not approved nor do the board minutes include blanket approval for the month's expenses. Finally, we determined that non-routine journal entries are not reviewed and approved.

Cause

LCMDWA does not have an internal control system to ensure that prior to payment all supporting documentation is provided, has sufficient detail, and maintained for future reference. They also do not have a system to review and approve individual vendor's invoices and non-routine journal entries.

Effect

LCMDWA has not complied with proper internal accounting controls and Section 6-6-3 NMSA, 1978 Compilation.

Recommendation

We recommend that LCMDWA establish and comply with an internal control system to ensure that, prior to payment, all expenditure supporting documentation is provided with sufficient detail and that proper review and approvals occur for all expenditure and journal entry transactions.

Entity Response

"The Board of Directors will ensure that the Water Operator and Meter reader will submit monthly invoices to the Association for payment. All invoices will be detailed as to hours worked, rate of pay and materials used.

Approval of all invoices will be made part of the minutes at the board meetings and year end journal entries will be submitted with the financial reports to the board for approval."

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

2010-5

Payments to Board Members

Criteria

Internal Revenue Code Section 3401 (c) defines employee to include an “officer, elected official of any political subdivision thereof, or any agency of instrumentality. Case law provides further support in that governmental officials have been delegated sovereign powers of a government to be exercised for the benefit of the public. They render services defined by law and functions established by and for the position held. An official’s actions are controlled by the “position” with the governmental entity. Hence, the employer-employee relationship exists and board members are employees.

Condition

La Cienega Mutual Domestic Water Association (LCMDWA) pays their board members for various services but does not treat these payments as employee wages and, therefore, does not withhold, match FICA or Medicare or pay in payroll taxes.

Cause

LCMDWA was not aware of the requirements of Internal Revenue Code Section 3401 (c).

Effect

LCMDWA has not complied with Internal Revenue Code Section 3401 (c).

Recommendation

We recommend that LCMDWA treat Board member payments as employee wages to comply with Internal Revenue Code Section 3401 (c).

Entity Response

“Beginning in 2015, all payments made to board members will be treated as employee wages.”

**STATE OF NEW MEXICO
LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION**

**Exit Conference
Year Ended December 31, 2013**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on June 19, 2015 with the following in attendance:

La Cienega Mutual Domestic Water Association

Archie Perea, Board Treasurer
Teresa Trujillo, Board Member
Ana Berry, Accounts Manager

Accounting Firm

James R. (Jim) Macias, CPA