

**LA CIENEGA
MUTUAL DOMESTIC WATER ASSOCIATION**

**REPORT ON AGREED UPON PROCEDURES
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017**



**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREE UPON PROCEDURES
DECEMBER 31, 2017**

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OFFICIAL ROSTER

Board of Directors

Reynaldo Romero, President
Tamara Montoya, Vice President
Archie Perea, Treasurer
Robert Romero, Secretary
Teresa Trujillo, Board Member
Victoria Weinke, Alternate Board Member

Administrative Staffs

Reynaldo Romero, Certified Water Operator
Robert Romero, Meter Reader
Ana Berry, Accounts Manager (Contractor)



INDEPENDENT ACCOUNTANTS' APPLYING AGREED UPON PROCEDURES REPORT

To Management
La Cienega, Mutual Domestic Water Association
Santa Fe, New Mexico
and
Mr. Brian Colón, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by La Cienega Mutual Domestic Water Association and New Mexico Office of the State Auditor, solely to assist in determining if the Association is in compliance with New Mexico State Auditor Rule, Tier 5 requirements as of December 31, 2017. The Association is the responsible party and the subject matter is the responsibility of the Association. 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.

The procedures and associated findings are included in a supplemental attachment.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the Tier 5 agreed upon procedures. 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 within the Association, New Mexico Office of the State Auditor, New Mexico Department of Finance and Administration-Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads 'MP Group, Inc.' followed by a stylized flourish.

May 15, 2019

TIER 5 AGREED-UPON PROCEDURES

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements.

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.”

Findings:

We reviewed the revenue per the Association’s income statement and determined through the form that the Association is Tier 5.

2. Cash

Procedure:

- 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.

Findings:

The Association has one checking account, one money market account and one saving account at a bank. One checking account serves as the Association’s primary operating account. The money market account serves as emergency account and usually will have an average balance of \$10,000. The client did not use their savings account as it only had a balance of \$5 each month. The Association utilizes QuickBooks software to record cash transactions and to reconcile the primary operating account.

We reviewed the operating checking account and money market account bank statements and account reconciliations performed in the fiscal year. All of these bank statements were complete and on hand. Bank statements for the operating account are received monthly. We noted that all reconciliations for this account were completed in a timely manner.

Procedure:

- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

Findings:

We selected five bank reconciliations for the Association’s primary operating and money market account to test for accuracy: February 28, 2017, May 31, 2017, June 30, 2017, August 31, 2017, and December 31, 2017. Reconciliations appear to be complete and tied to the bank account statement for the money market account, but the checking account had errors in the reconciliation process. See finding 2017-001 in the Schedule of Findings and Responses.

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2. CASH (Continued)

Procedure:

- c) Determine whether the local public body’s financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings:

We determined that the Associations cumulative account balances held at the financial institution did not exceed federally insured limits. As a result, pledged collateral was not required.

3. Capital Assets

Procedure:

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

Findings:

The Association has infrastructure for many years. They do not have capital assets listing. See finding 2010-002 in the Schedule of Findings and Responses.

4. Revenue

Identify the nature and amount of revenue from all sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

Procedure:

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Findings:

We compared actual to budget for each type of revenue.

	FY 2017 Budget	FY 2017 Actual	Variance
Water Sales	\$ 66,667	\$ 65,811.00	\$ (856)
Connection/Reconnection Charges	-	-	0
Membership and Meter Sales	450	450	0
Late Fees and Penalties	-	-	0
Gross Receipts Tax	3,333	3,290	(43)
Other Operating Revenue	109,300	10,661	(98,639)
Total	\$ 179,750	\$ 80,212	\$ (99,583)

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4. Revenue (Continued)

We also compared fiscal year revenues with the three-year revenue average and found no significant variances. Based upon our analysis, revenues recorded are reasonable.

Procedure:

Select a sample of revenue equal to at least 30% of the total dollar amount and test 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:

We reviewed the general ledger for charges to revenue and tested the following:

Revenues Tested	
Water Bill	\$ <u>25,316.66</u>
Total	\$ <u>25,316.66</u>

No exceptions were noted testing the attributes above.

5. Expenditures

Procedure:

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that the 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

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5. Expenditure (Continued)

Findings:

We selected all greatest expenses under each account for testwork. We also tested the Association's special payments for a replacement project in 2016. Transactions represent 35.54% of the total expenditures in the fiscal year. The attributes tested without exception for all transactions.

6. Journal Entries

Procedure:

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings:

The journal entry was provided by the client's tax preparer Mark Germer, CPA LLC. The client recorded all the AJEs properly. Tested to procedure, no exceptions noted.

7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

Procedure:

- 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.

Findings:

The Association approved the original budget as noted in the minutes and there were no subsequent budget adjustments noted.

Procedure:

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

Findings:

The Association's total expenditures did not exceed the final budget total.

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7. Budget (Continued)

Procedure:

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:

See attached Statement of Revenues and Expenditures – Budget and Actual – General Fund – Budget Basis.

8. Capital Outlay Appropriations

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 5 criteria. 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 that meet the Tier 5 criteria. Perform the following tests on all state-funded capital outlay expenditures:

Procedure:

- 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.

Findings:

During 2017, the funding of the capital outlay was frozen due to the state budget crisis. The client spent \$633.43 for 2017 capital outlay which were reimbursed on 06/28/2018. We tested all the amounts and the dates into supporting documentation and cancelled checks. The Associations does not have policies and procedures for procurement. See Finding 2016-003.

Procedure:

- 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).

Findings:

The Association was not required to go out to bid due to the small amounts spent during the year.

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8. Capital Outlay Appropriations (Continued)

Procedure:

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

Findings:

We observed the physical existence of the capital assets on 4/29/19 at La Cienega.

Procedure:

- e) Verify that status reports were submitted to the state agency charged with oversight per the terms of the agreement and verify that the amounts in the status report agree with the general ledger and other supporting documentation.

Findings:

The reimbursement reports were sent to DFA and approved. The amounts requested agree to the general ledger, bank statements and other supporting documentation.

Procedure:

- 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.

Findings:

The project was funded on a reimbursement of expenditures.

Procedure:

- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and the agreement with the grantor.

Findings:

The project was not completed in 2017, but the agreement allows the Association until June 30, 2019 to complete the project.

Procedure:

- 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.

Findings:

The project was funded based upon reimbursement basis and therefore not required as part of the agreement.

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8. Capital Outlay Appropriations (Continued)

Procedure:

- 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:

Per review of the supporting documentation and the reimbursement requests, we noted that the cash disbursements were paid by the Association prior or the same day of the receipt of the request for reimbursement.

9. Other

Procedure:

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 all required content detailed in Section 2.2.2.10(L) NMAC.

Findings:

During fieldwork there were no instances that came to our attention which indicated any instances of fraud illegal acts, noncompliance, or internal control deficiencies.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
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SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water Sales (Water Use Fees)	\$ 66,667	66,667	65,811	(856)
Connection/Reconnection Charges	-	-	-	-
Membership and Meter Sales (Utility Service Fees)	450	450	450	
Late Fees and Penalties (Other Fines and Forfeits)	-	-	-	
Gross Receipts Tax (Other State shared taxes)	3,333	3,333	3,290	(43)
Other Operating Revenue (miscellaneous - other)	99,300	109,300	10,661	(98,639)
Total Revenue	169,750	179,750	80,212	(99,538)
Expenditures				
Salaries - Operator, Bookkeeper, etc.	\$ 4,200	42,000	43,535	1,535
Employee Benefits and Expenses	-	-	-	-
Electricity	2,796	2,796	2,003	(793)
Other Utilities - Gas, Water, Sewer, Telephone	-	-	-	-
System Parts and Supplies	1,200	1,200	775	(425)
System Repairs and Maintenance	7,492	7,492	-	(7,492)
Vehicle Expenses	-	-	-	-
Office and Administrative Expenses	3,367	3,367	4,030	663
Professional Services - Accounting, Engineering, Legal	11,244	11,244	16,326	5,082
Insurance	3,909	3,909	4,244	335
Dues, Fees, Permits and Licenses	20	20	650	630
Taxes - Gross Receipts Tax, Water Conservation Fee	3,732	3,732	3,018	(714)
Training	-	-	481	481
Miscellaneous	90,075	90,075	4,599	(85,476)
Annual debt service - Loan 1	3,860	3,860	3,860	-
Total expenditures	\$ 127,695	169,695	83,521	86,174
Access Revenues Over Expenditures	\$ 42,055	\$ 10,055	\$ (3,309)	

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
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PROFIT AND LOSS BUDGET VS. ACTUAL

	NM DFA-LGD Reported			
	Jan'17-Dec'17	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Billings	\$ -	\$ 70,000	\$ (70,000)	0%
Membership fees	-	450	(450)	0%
New Membership	450	-	450	0%
Water bills	69,101	-	69,101	100%
Total Income	69,551	70,450	(899)	99%
Expense				
2016 AUP	3,959	-	3,959	0%
Accountant	596	-	596	100%
Bank charges	47	-	47	100%
Capitol Outlay Funds	-	90,000	(90,000)	0%
Community Center rental	25	75	(50)	33%
COST OF OPERATIONS				
Emergency repairs	-	6,000	(6,000)	0%
Line locates	348	292	56	119%
Materials Purchased	142	1,200	(1,058)	12%
Payroll Expenses	19,066	42,000	(22,934)	45%
PRC report	30	20	10	150%
Water Operator	70	-	70	150%
Water Testing	443	-	443	100%
Total COST OF OPERATIONS	20,099	49,512	(29,413)	41%
Depreciation	40,625	-	40,625	41%
Grant Expenses	633	-	633	100%
INSURANCE EXPENSE				
Dishonosty bond	818	409	409	200%
Liability	3,426	3,500	(74)	98%
Total INSURANCE EXPENSE	4,244	3,909	335	109%
Loans				
NMED RIP 2011-01 interest	1,382	-	1,382	0%
NMED RIP 2011-01 principal	-	3,860	(3,860)	0%
Total Loans	1,382	3,860	(2,478)	36%
Mileage	370			

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
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PROFIT AND LOSS BUDGET VS. ACTUAL (Continued)

	NM DFA-LGD Reported			
	<u>Jan'17-Dec'17</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
OFFICE EXPENSE				
2016 AUP preparation	610	300	310	203%
Annual billing software updates	740	741	(1)	100%
Bookkeeping	11,235	11,244	(9)	100%
CCR preparation	321	300	21	107%
Dues & Subs	20	-	20	107%
Land Lease	3,050	-	3,050	100%
P.O. Box Rental	86	82	4	105%
Postage	1,123	564	559	199%
Quickbooks PR yearly updat	-	420	(420)	0%
Quickbooks PR yearly update	456	-	456	0%
Quickbooks service	500	-	500	100%
Supplies	780	960	(180)	81%
Training	481	-	481	81%
Total OFFICE EXPENSE	19,402	14,611	4,791	133%
Software	210			
Storage unit	585			
TAX EXPENSE				
Conservation Tax	-	360	(360)	0%
Gross Receipts	3,158	2,852	306	111%
Payroll Tax	307	520	(213)	59%
Total TAX EXPENSE	3,465	3,732	(267)	93%
Utilities	2,004	2,796	(792)	72%
Void	-			
Well repairs	-	1,200	(1,200)	0%
Total Expense	97,647	169,695	(72,048)	58%
Net Ordinary Income	(28,096)	(99,245)	71,149	28%
Other Income/Expense				
Other Income				
Capital Outlay	-	90,000	(90,000)	0%
Interest Earned	11	-	11	0%
OSA grant for 2016 AUP	3,959	-	3,959	100%
Verizon	7,300	7,300	-	100%
Water sold	-	2,000	(2,000)	0%
Total Other Income	11,270	99,300	(88,030)	11%
Net Other Income	11,270	99,300	(88,030)	11%
Net Income	\$ (16,826)	\$ 55	\$ (16,882)	-30416%

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BALANCE SHEET

	<u>Dec 31, 2017</u>
ASSETS	
Current Assets	
Checking/Savings	
GCU Checking	\$ 3,358.36
GCU Money Market	8,320.43
GCU Savings	<u>5.00</u>
Total Checking/Savings	<u>11,683.79</u>
Total Current Assets	11,683.79
Fixed Assets	
Accumulated depreciation	(423,652.00)
Improvements	382,776.42
Water rights	31,388.36
Well System	<u>325,000.00</u>
Total Fixed Assets	<u>315,512.78</u>
TOTAL ASSETS	<u><u>\$ 327,196.57</u></u>
LIABILITIES & EQUITY	
Current Liabilities	
Other Current Liabilities	
Payroll Liabilities	\$ 2,266.61
Sales Tax Payable	593.90
Suta payable	<u>58.35</u>
Total Other Current Liabilities	<u>2,918.86</u>
Total Current Liabilities	<u>2,918.86</u>
Long Term Liabilities	
NMED RIP 2011-01	(2,477.51)
NMED/2011-01	<u>46,079.04</u>
Total Long Term Liabilities	<u>43,601.53</u>
Total Liabilities	46,520.39
Equity	
Associations Equity	126,405.38
Retained Earnings	171,097.06
Net Income	<u>(16,826.26)</u>
Total Equity	<u>280,676.18</u>
TOTAL LIABILITIES & EQUITY	<u><u>\$ 327,196.57</u></u>

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2010-002 No Capital Asset Inventory at Fiscal Year-End	Repeated
2016-001 Inadequate Documentation for \$30,000 Invoice	Repeated and Modified
2016-002 No Approval of Board Meeting Minutes	Repeated and Modified
2016-003 No Written Procurement Policies and Procedures	Repeated

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
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FINDING 2010-002 NO CAPITAL ASSET INVENTORY AT FISCAL YEAR-END

CONDITION

For the fiscal year ending December 31, 2017, the Association did not perform and document a physical inventory of its capital assets, or have the results of the physical inventory certified by the Board of Directors as the Association did not start working on a capital list during the year.

CRITERIA

Section 12-6-10.A NMSA 1978 states: “Annual Inventory. The governing authority of each agency shall, at the end of fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.” Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

EFFECT

The Association’s capital asset listing as of December 31, 2017 may be incomplete or inaccurate.

CAUSE

Management neglected to perform and document the physical inventory at the end of the fiscal year and have the Board of Directors certify the results.

RECOMMENDATION

The association should go back to prior years and generate all the capital assets information and rollforward the capital assets listing after 2017. At the end of each fiscal year, the Association should perform and document a physical inventory of its capital assets in accordance with state laws and regulations. For each capital asset, the description of the assets, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on the Association’s capital asset listing. The results of inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Association.

MANAGEMENT RESPONSE

The Associations Accounts Manager and Secretary will update the balance sheet and inventory list by September 30, 2019 to reflect projects that were completed in the last 7 years to get a better understanding of the fixed assets the association has and the inventory list will be updated at the end of every fiscal year. For assets purchased prior to that time frame, the Association will hire an engineer to perform an assessment to determine the value and separately identification of the infrastructure.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2016-001 INADEQUATE DOCUMENTATION FOR INVOICE

CONDITION

In an invoice dated July 29, 2016, the Association's employee (meter reader)/Board Secretary billed the Association \$30,000 (labor only – 400 hours) for work done on the Entrada La Cienega water line replacement project. The employee/Board Secretary charged the Association \$75 per hour but did not document the dates, times or a detailed description of the work done on the project. The employee/Board Secretary only took some pictures of the project work he performed.

After the invoice was submitted to the Accounts Manager for payment, two board members disputed that the Board of Directors did not authorize the employee/ Board Secretary to perform the project work at the rate of \$75 per hour. The Board Treasurer also disputed the amount of the hours the employee/Board Secretary claimed on the invoice.

In summary, based on a review of the minutes of the 2016 meetings, it appears that the Board of Directors authorized the employee/Board Secretary to perform the project work. However, the minutes of the meetings do not show that the Board approved the rate of \$75 per hour worked. In any event, the decision about whether or not to authorize the employee/Board Secretary to perform the project work at the rate of \$75 an hour was never voted on by the Board, and the dispute regarding the subsequent \$30,000 invoice has not been voted on and resolved by the Board.

In 2017 and 2018, the Board did not appear to have resolved or voted on the resolution of the invoice, but paid the employee/ Board Secretary \$2,000 per month as part of the payoff of the \$30,000 invoice.

CRITERIA

For the proper internal control over the expenditure of public funds, it is a prudent business practice for the Board of Directors to clearly document the authorization and rate of pay for an employee to perform a waterline replacement project in the minutes of its meetings, and to require the employee to thoroughly document the dates, times and work done on a timesheet.

EFFECT

Without any timesheets, there is insufficient documentation to substantiate the number of hours charged or claimed by the employee/Board Secretary. There is a possibility that the project work would have cost less if the Association had obtained bids from contractors. The \$30,000 invoice has caused the Association significant cash flow problems and has not paid the invoice in full; the Association is currently paying the employee/Board Secretary \$2,000 a month on the bill. As of December 31, 2017, the Association has paid off this invoice.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2016-001 INADEQUATE DOCUMENTATION FOR INVOICE (continued)

CAUSE

The Association does not have adequate internal controls in place to authorize, oversee and approve the work done and charged by its employees.

The Association's Board of Directors neglected to clearly vote and document its decision in the minutes of its board meetings about whether or not to allow its employee/Board Secretary to perform the project work at the rate of \$75 per hour. Also, the Board of Directors neglected to discuss in a board meeting the reasons why they chose not to obtain bids from contractors to perform the project work.

Furthermore, before the commencement of the project work, the Association's Board of Directors neglected to direct its employee/Board Secretary to specifically document the date and times worked on the project including the specific work done and the materials and equipment used.

RECOMMENDATION

The Board of Directors should discuss the issue and vote about how the disagreement regarding the \$30,000 invoice will be handled and resolved. The board meeting and the decision should be recorded and adequately documented in the minutes of the meeting. The minutes of this meeting should then be approved by the Board at its next board meeting in accordance with the NM Open Meeting s Act.

The Board of Directors should develop and implement written personnel policies and procedures requiring its employees to thoroughly document the dates, times and work done on a timesheet or invoice. The policies and procedures should include a thorough approval process for the timesheet or invoice including a certification that the work was pre-authorized by the Board, and a certification by a supervising board member that the work was actually performed. The Association's Accounts Manager should not process a timesheet or an invoice for payment unless it fully documents the dates, times and specific work done by the employee, and the timesheet or invoice has been approved by the supervising board member.

MANAGEMENT RESPONSE

The Association now has a better understanding of what a procurement policy is and will adopt a policy at our Board of Directors meeting to be held on July 11, 2019. The Accounts Manager and Secretary will attend the procurement training offered by the State in June 2019. The combination of these steps will reemphasize the importance to the Board of Directors that ensuring all invoices that are submitted are complete and approved before they are paid.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2016-002 APPROVAL OF BOARD MEETING MINUTES

CONDITION

The minutes of the board meetings held in December 2017 were not approved by the Board of Directors. The Association has regular board meetings every other month and noted the deficiency in approval, but did not follow up on the approval of the prior minutes.

CRITERIA

The Open Meetings Act, Section 10-15-1. G NMSA 1978 states: "The board shall keep written minutes of all of its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered, and a record of any decisions and votes taken that show how each member voted. Draft minutes shall be prepared within ten working days after the meeting and shall be approved. amended or disapproved at the next board meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body."

CAUSE

The Board of Directors has not implemented internal controls to ensure full compliance with the Open Meetings Act.

EFFECT

The NM Open Meetings Act, Section 10-15-1. G NMSA 1978 states: "Any person in violation of Section 10-15-1 or 10-15-2 is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than five hundred dollars (\$500) for each offense."

RECOMMENDATION

The Board of Directors should obtain and fully read the Open Meetings Act and the Compliance Guide provided by the NM Office of the Attorney General. For all future board meetings, the Board shall strictly comply with all of the section of the Open Meetings Act.

For each meeting; the Association should complete the Open Meetings Act Compliance Checklist presented in the Compliance Guide and maintain it with the minutes of the board meetings as a matter of public record.

At its next board meeting, the Board of Directors need to address the approval of all the pending minutes of the previous board meetings that have not been approved by the Board.

Since the current Board President/Water Operator and Board Secretary/Meter Reader are also employees of the Association, the Board President and Board Secretary should not vote on matters that pertain to them since it would be a conflict of interest. Also, since the Board President is the father of the Board Secretary, the relatives should not vote on matters that pertain to each other.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2016-002 APPROVAL OF BOARD MEETING MINUTES (continued)

MANAGEMENT'S RESPONSE

All board members will review the Open Meetings Act Guidelines in the July 2019 meeting to ensure that we are in compliance at every board meeting that is held. We will complete the OMA checklist and retain it with our board meeting minutes. The minutes of the board meetings will be prepared within 10 days of the meeting and distributed to the board members for review and approval at the next board meeting.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2016-003 NO WRITTEN PROCUREMENT POLICIES AND PROCEDURES

CONDITION

The Association did not complete any written procurement policies and procedures to control the purchase of goods and services and ensure compliance with the State Procurement Code during 2017. The Association did not prepare the policies and procedures as they did not understand the importance of the procedures.

CRITERIA

Adequate procurement policies and procedures provide for the fair and equal treatment of all persons involved in public procurement, maximize the purchasing value of public funds and provide safeguards for maintaining a procurement system of quality and integrity.

EFFECT

Without adequate procurement policies and procedures, there is a lack of internal control over cash disbursements and the Association is at risk of noncompliance with the State Procurement Code. Also, the Association may not be getting the best obtainable price for the purchase of goods and services which can create significant financial problems for the Association.

CAUSE

The Association's Board of Directors has neglected to establish written procurement policies and procedures.

RECOMMENDATION

The Board of Directors and Account Manager should take the procurement classes hold by State. For the purchase of all goods and services, the Association should consider adopting the State Procurement Code Regulations (1.4.1 NMAC). The procurement policy should include a record retention policy whereas all procurement decisions and documentation shall be filed, retained and safeguarded for at least five years after the end of the fiscal year in which the procurement occurred.

MANAGEMENT RESPONSE

The Association now has a better understanding of what a Procurement Policy is and will adopt a policy at our Board of Directors meeting to be held on July 11, 2019. The Accounts Manager and Secretary will attend the Procurement Training offered by the State in June 2019.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2017-001 INACCURATE SAVINGS ACCOUNT CASH BALANCE

CONDITION

As part of completing procedures of the bank reconciliations, we noted that the GL balance for the GCU checking account was not consistent with the bank statement balance at monthly end. During 2017, the Association's personnel did not record the cash account related journal entry that was done by Association Accountant until the end of 2017. One of the uncleared checks was voided in February but did not reconcile in GL detail till the end of the year. On May 2017, the Association had a check taken out of their Money Market account by the bank so the check was voided but still shown an uncleared transaction did not reconcile in GL. As a consequence, information supplied to DFA-Local Government Division detailing the Association's cash balances at year end was inaccurate.

CRITERIA

Regularly performed bank reconciliations and account reviews provide a significant control feature over the Association's cash accounting system and help determine whether all cash activity is properly posted in the general ledger. Preparing reconciliations and performing reviews on a timely basis provides greater assurance that all cash activity has been properly recorded and that any irregularities in activity will be more readily identified.

CAUSE

The Association did not reconcile GL detail to bank reconciliation every month.

EFFECT

Information supplied to DFA-Local Government Division reflecting the Association's cash balance at year end was inaccurate.

RECOMMENDATION

Bank statements for the GUC accounts are received monthly. Reviews on these accounts should be performed on a monthly basis in a timely manner upon receipt of the statement. In addition, management should evaluate whether inaccurate information supplied to DFA-Local Government Division needs to be revised and resubmitted.

MANAGEMENT RESPONSE

The Associations Accounts Manager will make sure that the bank statements are reconciled on a timely basis and that the bank statement balances are consistent with the GL. She will also ensure that the reports that are submitted to DFA-LGD are accurate.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

FINDING 2017-002 – LATE SUBMISSION OF REPORT

CONDITION

The Tier 5 Agreed Upon Procedures report for the year ended December 31, 2017, was submitted to the State Auditor late.

CRITERIA

Tier 5 reports are required to be submitted to the Office of the State Auditor within five months after the end of the fiscal year.

EFFECT

The Agreed Upon Procedures report for the year ended December 31, 2017 was submitted late.

CAUSE

The Board did not contract with an Independent Public Accountant (IPA) to conduct the Agreed Upon Procedures for 2017 until 2019.

RECOMMENDATION

The Board should contract with an IPA on a yearly basis to ensure that the required annual report is submitted timely to the Office of the State Auditor.

MANAGEMENT'S RESPONSE

The Board concurs with the finding. Currently, the IPA firm is under contract to complete the report for 2018 in a timely manner.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREE UPON PROCEDURES
DECEMBER 31, 2017**

EXIT CONFERENCE

An exit conference was held on May 14, 2019 to discuss the agreed upon procedures. Attending were the following:

Representing the La Cienega Mutual Domestic Water Association

Board of Directors

Reynaldo Romero, President

Archie Perea

Management

Ana Berry, Accounts Manager

Representing the Independent Accountant:

Scott Peck, CPA