

**LA CIENEGA
MUTUAL DOMESTIC WATER ASSOCIATION**

**REPORT ON AGREED UPON PROCEDURES
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018**



**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREE UPON PROCEDURES
DECEMBER 31, 2018**

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**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREE UPON PROCEDURES
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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, 2018. 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 supplemental attachments.

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 31, 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 savings account at a bank. The checking account serves as the Association’s primary operating account and the money market account serves as emergency account and usually will have an average balance of \$8,000. The Association 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: January 31, 2018, March 31, 2018, July 31, 2018, August 31, 2018, and December 31, 2018. 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)

We noted that the beginning balance of checking account did not agree to general ledger. As of December 31, 2018, the checking account was \$243 dollars off the general ledger. See Finding 2017-001 in the Schedule of Findings and Responses.

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 have started working on the issue and have provided a partial 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 2018 Budget	FY 2018 Actual	Variance
Water Sales	\$ 64,006	\$ 61,576	\$ 2,430
Membership and Meter Sales	450	450	0
Gross Receipts Tax	3,200	3,079	121
Other Operating Revenue	90,000	83,817	6,183
Total	\$ 157,656	\$ 148,922	\$ 8,734

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4. Revenue (Continued)

Small variances are consistent with the Association's practice of conservative budgeting.

We also compared fiscal year revenues with the three-year revenue average and noted a significant variance from prior year as the Association had minimal capital outlay in 2017. 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	\$ 24,007.03
Capital Outlay	<u>76,508.15</u>
Total	<u>\$ 100,515.18</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.

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5. Expenditure (Continued)

- 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.

Findings:

We selected all greatest expenses under each account for testwork. We also tested the Association's special payments for a replacement project in 2018. The transactions represent 67.6% of the total expenditures in the fiscal year. The attributes tested without exception for all transactions except for the construction contract. See Finding 2018-00

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:

There is no journal entry recorded in 2018, 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.

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7. Budget (Continued)

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.

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 2018, the Association was reimbursed \$76,508.15 of their capital outlay, which included \$633.43 expended in 2017. We tested all the amounts and the dates included in pay check stubs that matched the related invoices.

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).

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8. Capital Outlay Appropriations (Continued)

Findings:

The Association contracted with a construction company during the year for a total of approximately \$40,000. The Association provided change orders to the company of approximately \$25,000 which exceeded the open bid requirement of \$60,000 in services. The Association was nor in compliance with New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC). See Finding 2018-001 in the Schedule of Findings and Responses.

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 completed in 2018, but the agreement allows the Association until June 30, 2019 to complete the project. The Association has successfully reallocated the remaining funds to another project.

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8. Capital Outlay Appropriations (Continued)

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.

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
 AGREE UPON PROCEDURES
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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)	\$ 64,006	64,006	61,576	(2,430)
Membership and Meter Sales (Utility Service Fees)	450	450	450	-
Gross Receipts Tax (Other State shared taxes)	3,200	3,200	3,079	(121)
Other Operating Revenue (miscellaneous - other)	90,000	90,000	83,817	(6,183)
Total Revenue	<u>157,656</u>	<u>157,656</u>	<u>148,922</u>	<u>(8,734)</u>
Expenditures				
Salaries - Operator, Bookkeeper, etc.	27,432	27,432	43,268	(15,836)
Electricity	3,173	3,173	2,370	803
System Parts and Supplies	1,000	1,000	-	1,000
System Repairs and Maintenance	3,600	3,600	178	3,422
Office and Administrative Expenses	4,000	4,000	3,643	357
Professional Services - Accounting, Engineering, Legal	4,200	4,200	108	4,092
Insurance	4,000	4,000	3,260	740
Dues, Fees, Permits and Licenses	5,059	5,059	2,226	2,833
Taxes - Gross Receipts Tax, Water Conservation Fee	3,200	3,200	3,471	(271)
Training	1,000	1,000	169	831
Miscellaneous	93,000	93,000	80,599	12,401
Loans				
Annual debt service - Loan 1	3,860	3,860	3,860	-
Total Expenditures	<u>153,524</u>	<u>153,524</u>	<u>143,152</u>	<u>10,372</u>
Excess Revenues Over Expenditures	\$ 4,132	\$ 4,132	\$ 5,770	

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
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 JANUARY 1, 2018 THROUGH DECEMBER 31, 2018**

PROFIT AND LOSS BUDGET VS. ACTUAL

	NM DFA-LGD Reported			
	<u>Jan'17-Dec'17</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Revenue				
Water Sales (Water Use Fees)	61,576	64,006	(2,430)	96%
Membership and Meter Sales (Utility Service Fees)	450	450	0	100%
Gross Receipts Tax (Other State shared taxes)	3,079	3,200	(121)	96%
Other Operating Revenue (miscellaneous - other)	83,817	90,000	(6,183)	93%
Total Revenue	148,922	157,656	(8,734)	94%
Expenditures				
Salaries - Operator, Bookkeeper, etc.	43,268	27,432	15,836	158%
Electricity	2,370	3,173	(803)	75%
System Parts and Supplies	-	1,000	(1,000)	0%
System Repairs and Maintenance	178	3,600	(3,422)	5%
Office and Administrative Expenses	3,643	4,000	(357)	91%
Professional Services - Accounting, Engineering, Legal	108	4,200	(4,092)	3%
Insurance	3,260	4,000	(740)	82%
Dues, Fees, Permits and Licenses	2,226	5,059	(2,833)	44%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,471	3,200	271	108%
Training	169	1,000	(831)	17%
Miscellaneous	80,599	93,000	(12,401)	87%
Total Expenditures	143,152	153,524	(10,372)	93%
Excess Revenues Over Expenditures	5,770	4,132	1,638	140%

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BALANCE SHEET

ASSETS

Current Assets

Checking/Savings

GCU Checking 10,188

GCU Money Market 7,259

GCU Savings 5

Total Checking/Savings 17,452

Total Current Assets 17,452

Fixed Assets

2012-2013 System Improvements 49,542

2016 System Improvements 30,000

2017-2019 System Improvements 74,728

Accumulated depreciation (423,652)

Improvements 382,776

Water rights 31,388

Well System 325,000

Total Fixed Assets 469,783

TOTAL ASSETS 487,235

LIABILITIES & EQUITY

Current Liabilities

Other Current Liabilities

Payroll Liabilities 1,350

Sales Tax Payable 594

Suta payable 58

Total Other Current Liabilities 2,003

Total Current Liabilities 2,003

Long Term Liabilities

NMED RIP 2011-01 (2,478)

NMED/2011-01 46,079

Total Long Term Liabilities 43,602

Total Liabilities 45,604

Equity

Associations Equity 126,405

Retained Earnings 234,446

Net Income 80,779

Total Equity 441,630

TOTAL LIABILITIES & EQUITY 487,235

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
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CAPITAL OUTLAY

Amount awarded for the project	\$ 90,000.00
Amount received and expended in 2018	<u>(76,508.15)</u>
Remaining balance	\$ 13,491.85

AGREEMENT PROVISIONS

Fund 89200 Capital Appropriation Project Agreement Between the New Mexico Environment Department and the La Cienega MDWC & MSWA {15-0556-STB)

Legislative Authority: NM laws of 2015, Chapter 3, Section 20, Paragraph 69.

Date of Agreement: June 9,2017

Project Description: Project Description: To plan, design and construct water system improvements, including water lines, for La Cienega Mutual Domestic Water Consumers & Mutual Sewage Works in Santa Fe County.

County Estimated Project Cost: \$90,000

State Grant Amount: \$90,000

Agreement termination/reversion date: June 30, 2019

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2010-002 No Capital Asset Inventory at Fiscal Year-End	Modified and Repeated
2016-001 Inadequate Documentation for \$30,000 Invoice	Resolved
2016-002 No Approval of Board Meeting Minutes	Repeated
2016-003 No Written Procurement Policies and Procedures	Repeated
2017-001 Inaccurate Savings Account Cash Balance	Repeated
2017-002 Late report	Resolved

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

FINDING 2010-002 NO CAPITAL ASSET INVENTORY AT FISCAL YEAR-END

CONDITION

The Association had non-movable water tank and water lines for many years, they did not keep track of all the details. For the fiscal year ending December 31, 2018, the Association provided a capital assets listing, including their system, improvements and water rights, but is missing some of the detailed information.

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, 2018 may be incomplete or inaccurate.

CAUSE

Management has started to perform and document a capital listing of the assets/infrastructure built within last few years. The Association did not perform a physical inventory at the end of the fiscal year and have the Board of Directors certify the results.

RECOMMENDATION

The Association should continue to work on 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 Association’s 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.

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SCHEDULE OF FINDINGS AND RESPONSES
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FINDING 2016-002 APPROVAL OF BOARD MEETING MINUTES

CONDITION

The minutes of the board meetings held in May 2018 were not approved by the Board of Directors. The Association has regular board meetings every other month. In the minutes the Board identified the month that minutes were not approved, but did approve them in the following meeting as they did not have a copy of the previous 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.

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

MANAGEMENT'S RESPONSE

All board members will review the Open Meetings Act Guidelines 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, 2018**

FINDING 2016-003 NO WRITTEN PROCUREMENT POLICIES AND PROCEDURES

CONDITION

The Association continues not have any written procurement policies and procedures to control the purchase of goods and services and ensure compliance with the State Procurement Code. 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 held 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, 2018**

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. One of the uncleared checks was voided in February but did not reconcile in GL detail till the end of January 2018. One outstanding check written on February was lost in the mail and voided in May 2018 which lower the March 2018's register balance. In December 2018, there were transactions mistakenly put in register. The Association reconciled the General Ledger detail with the bank reconciliation report and provided the explanation after we pointed out the differences. As a consequence, information supplied to DFA-Local Government Division detailing the Association's cash balances at year end was inaccurate. The finding was issued on May 14, 2019 from the 2017 report and so management did not have time to correct the finding.

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, 2018**

FINDING 2018-001 PROCUREMENT

CONDITION

The Commission negotiated and executed a contract for construction services for a contract amount of approximately \$40,000. The Association provided additional services to construction company that exceeded \$60,000. The Association contracted with a vendor without performing the competitive sealed bids method or the competitive sealed proposals method.

CRITERIA

Pursuant to NMSA 1978 Section 13-1-102, all procurement shall be achieved by the competitive sealed bids method or the competitive sealed proposals method unless the purchase can be achieved pursuant to sections 98-100, and 102-103. The contract examined did not qualify as a purchase that could be achieved by other sections as outlined in the Procurement code and thus must be achieved by the competitive sealed bids method or the request for proposals method.

CAUSE

Due to the infrequent nature of purchases for construction services over \$60,000, management at the Association was not familiar with the purchasing requirements as set forth in the Procurement Code.

EFFECT

The Association was in violation of state statutes.

RECOMMENDATION

We recommend that the Association develop and implement internal accounting control procedures to monitor large purchases and to work with the State Purchasing Division at the General Services Department for future guidance on compliance with state statutes.

MANAGEMENT RESPONSE

The Board of Directors will develop and implement policies and procedures and will adopt it 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 to ensure that all future projects will be in compliance with the procurement code.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREE UPON PROCEDURES
DECEMBER 31, 2018**

EXIT CONFERENCE

An exit conference was held on May 31, 2019 to discuss the agreed upon procedures.
Attending were the following:

Representing the La Cienega Mutual Domestic Water Association

Board of Directors

Robert Romero, Secretary

Management

Ana Berry, Accounts Manager

Representing the Independent Accountant:

Scott Peck, CPA