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Las Tusas Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2010

Las Tusas Mutual Domestic Water Consumers Association
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Fiscal Year Ended December 31, 2010

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**Las Tusas Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2010**

Board of Directors

Cristino Griego, President

Lawrence Montoya, Vice-President

Sonya Norman, Secretary

Rufina Trujillo, Treasurer

Administrative Staff

None

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Cristino Griego, President, Las Tusas Mutual Domestic Water Consumers Association
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Las Tusas Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2010, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (3) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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 the parties specified in this 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. Test all state-funded capital outlay expenditures:

- 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.

All of the cash disbursements for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the Association's procurement policies and procedures.

- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

No work was completed on Project #SAP 09-3558 GF. For Project #SAP 09-3559, the Association awarded a contract to RME Santa Fe Engineering, Inc. for the preliminary engineering plans in accordance with its procurement policies and applicable state laws and regulations.

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

No work was completed on Project #SAP 09-3558 GF so there was nothing to observe. The work done (renovation of well house, installation of water pressure system, electrical improvements and installation of gate around well house) on Project #SAP 09-3559 GF was observed.

- 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.

The Association submitted three disbursement request forms and Project Status Reports to the New Mexico Environment Department (NMED). The amounts requested in the disbursement request forms and status reports agreed with the Association's general ledger and supporting documentation.

- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

The project was not funded in advance. The Association was required to submit disbursement request forms to the NMOSE along with the contractor's invoices and other supporting documentation.

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

For SAP #09-3558 GF, no work (preliminary engineering plans) was completed during the fiscal year; the grant had a remaining balance of \$30,000 as of December 31, 2010. For SAP #09-3559 GF (renovation of well house, installation of water pressure system, electrical improvements and installation of gate around well house), the project work was not completed and the grant had a remaining balance of \$9,222.81 as of December 31, 2010. Since both grants had an expiration date of June 30, 2011, no grant funds were reverted to

the State as of December 31, 2010. See the Schedule of Capital Outlay Awards on p. 7 of this report.

- 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.

The grant agreement did not mandate a separate bank account. The Association used its checking account at the 1st Community Bank in Las Vegas, New Mexico to account for the grant receipts and check disbursements for the project expenditures.

- 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.

For Project #SAP 09-3558 GF, no reimbursement requests were submitted to the NMED in 2010. For Project #SAP 09-3559 GF, the Association submitted three Disbursement Request forms to the NMED for invoices submitted by the contractors for work done on the project. Two disbursement requests (#1 dated 9/15/10 for \$3,228.98 and #3 dated 11/17/10 for \$1,340.23) were supported by several invoices from the contractors totaling \$4,569.21.

However, for disbursement request #2 dated 11/17/10 for \$6,207.98, only \$2,979.00 was supported by costs incurred by the Association; \$3,222.98 received from the NMED was not supported by any costs incurred by the Association. See Finding 2010-2 on p. 6 of this report.

The invoices were not paid by the Association prior to the request for payment forms because the Association did not have the necessary funds. Except for disbursement request #2 as noted above, the Association paid for the invoices after the grant checks were received from NMED.

- 2. The agreed-upon procedures report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See the Schedule of Capital Outlay Awards on p. 8 of this report.

3. Other

- a. If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I)(3)(C) NMAC.

See the Schedule of Findings and Responses on p. 5-7 of this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 3 agreed upon procedures. 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 management and others with the Association, the New Mexico State Auditor, Department of Finance and Administration – Local Government Division, New Mexico Environment Department and the State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

March 28, 2016

**Las Tusas Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

Status of Prior Year Findings

Not applicable.

Current Year Findings

Finding 2010-1. Late Submission of Firm Recommendation Form, Contract and Agreed-Upon Procedures Report

Condition

For the fiscal year ending December 31, 2010, the Las Tusas Mutual Domestic Water Consumers Association (Association) did not submit the Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until December 11, 2015.

Also, the agreed-upon procedures report for the fiscal year ending December 31, 2010 was not submitted to the OSA by the due date of June 1, 2011.

Criteria

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, the Association should have submitted the completed Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures contract to the State Auditor on or before January 1, 2011.

According to State Audit Rule, Section 2.2.2.16 (H) NMAC, local public bodies must submit the agreed-upon procedures report no later than 5 months after the fiscal year-end.

Effect

Since the recommendation form and contract were submitted late, the agreed-upon procedures report was not be submitted to the State Auditor by the required due date.

If the report is late, users of the report are not receiving timely information about the results of the agreed-upon procedures.

Cause

The Association was unaware of the State Audit Act and OSA's rules and reporting requirements for agreed-upon procedures, and therefore, did not comply with the requirements.

**Las Tusas Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

Recommendation

The board members of the Association should thoroughly read Section 2.2.2.16 NMAC of Audit Rule 2016 to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, the Association shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC (Determination of Revenues and Services) to determine what agreed-upon procedures or audits are required for the fiscal year.

The Association should take the necessary steps to ensure that future contracts for agreed-upon procedures are submitted to the Office of the State Auditor as follows:

- According to State Audit Rule 2016, Section 2.2.2.8.J (9) NMAC (effective March 15, 2016), "After completing the evaluations for each IPA and making the IPA selection, each agency must enter the appropriate requested information online on the OSA-Connect website (www.osa-app.org).” According to State Audit Rule, Section 2.2.2.8.J (11) NMAC, the Association shall deliver the unsigned contract generated by OSA-Connect to the office 30 days before the end of the fiscal year (December 1).
- According to State Audit Rule, Section 2.2.2.16.G (1) NMAC (effective March 15, 2016), "Local public bodies with a fiscal-year end other than June 30 must submit the agreed-upon procedures report or certification no later than five months after the fiscal year-end (June 1)."

Management's Response

If required, the Association will take the necessary steps to ensure that future IPA recommendation forms and contracts are submitted to the State Auditor by December 31, and the report or certification by the following June 1.

Finding 2010-2. Duplicate Disbursement Request

Condition

For Project #09-3559 GF, the Association filed Disbursement Request Form #1 dated 9/15/10 for \$3,228.98 with the NM Environment Department (NMED) to pay for an invoice submitted by American Southwest Control Systems for a remote tank level controller system. The NMED paid the Association \$3,228.98 on 10/1/10 and the Association paid the Company \$3,228.98 on 10/28/10 (check #666).

**Las Tusas Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

The Association then filed Disbursement Request Form #2 dated 11/17/10 for \$6,207.98 with the NMED. However, Disbursement Request #2 included the same invoice for \$3,228.98 from the American Southwest Control Systems. The NMED paid the Association \$6,207.98 on 10/7/10 but the Association did not pay another \$3,228.98 to American Southwest Control Systems. Therefore, these records show that \$3,222.98 received from the NMED was not supported by any costs incurred by the Association.

Criteria

Article 9 of the grant agreement states: "NMED will reimburse the grantee its actual costs incurred for satisfactory performance of all work and services to be performed under the terms of this agreement, up to the limit set forth in Article 1.

Effect

The Association received \$3,228.98 from the NMED for a project expense they never incurred or paid for.

Cause

The Association's internal controls over the reimbursement request process were inadequate.

Recommendation

The Association should reimburse the NMED \$3,228.98 as soon as possible. For future capital outlay appropriations from the State, the Association should develop and implement adequate internal controls to ensure that disbursement requests are not made for the same invoices for goods and services provided by vendors and contractors.

Management's Response

The Association concurs with the finding. The Association meant no malice or disregard of the law. The error in disbursement request #2 was a mistake by the Association and not caught by the NMED. In the future, the Association will follow all program procedures noted in the grant agreement. After the President of the Association prepares the disbursement request forms, the Treasurer will review them for accuracy and completeness before submitting them to the NMED to ensure that future disbursement requests are only for project costs incurred by the Association. The Association will contact the NMED in the very near future to refund \$3,228.98 owed to the NMED.

**Las Tusas Mutual Domestic Water Consumers Association
 Schedule of Capital Outlay Awards
 For the Fiscal Year Ending December 31, 2010**

	1	2
Amount Awarded for Project	\$ 30,000.00	\$ 20,000.00
Amount Received and Expended by MDWCA	-	(10,777.19)
Remaining Balance	\$ 30,000.00	\$ 9,222.81

Agreement Provisions

1 - Grant Agreement Between the New Mexico Environment Department and the Las Tusas Mutual Domestic Water Consumers Association - Special Appropriation Project #SAP 09-3558-GF

Legislative Authority: NM Laws of 2009, Chapter 128, Section 402

Date of Agreement: April 15, 2010

Project Description: To plan, design and construct facilities and infrastructure improvements for the Las Tusas Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$30,000

State Grant Amount: \$30,000

Agreement termination/reversion date: June 30, 2011

2 - Grant Agreement Between the New Mexico Environment Department and the Las Tusas Mutual Domestic Water Consumers Association - Special Appropriation Project #SAP 09-3559-GF

Legislative Authority: NM Laws of 2009, Chapter 128, Section 403

Date of Agreement: July 22, 2010

Project Description: To plan, design and construct improvements to facilities and infrastructure for the Las Tusas Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$20,000

State Grant Amount: \$20,000

Agreement termination/reversion date: June 30, 2011

**Las Tusas Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2010**

On March 28, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Las Tusas Mutual Domestic Water Consumers Association

Cristino Griego, President

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager