



Certified Public Accountants

ricci&company llc

**MORA MUTUAL DOMESTIC
WATER CONSUMERS AND
SEWER WORKS
ASSOCIATION**

**AGREED UPON PROCEDURES
REPORT**

JUNE 30, 2010



**MORA MUTUAL DOMESTIC WATER CONSUMERS
AND SEWER WORKS ASSOCIATION**

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**MORA MUTUAL DOMESTIC WATER
CONSUMERS AND SEWER WORKS ASSOCIATION
June 30, 2010**

Official Roster

Board of Directors

Elouterio Trujillo, President
Charlie Vigil, Secretary/Treasurer
Andrew Jaramillo
Sam Olivias
Andrew Jaramillo

Principal Employees

Clarence Aragon, Operations Manager

Independent Accountant's Report

To Management
Mora Mutual Domestic Water Consumers and Sewer Works Association
Mora, New Mexico
and
To Mr. Hector H. Balderas, State Auditor

We have performed the procedures enumerated below, which were agreed to by the Mora Mutual Domestic Water Consumers and Sewer Works Association (Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 4, as of June 30, 2010. 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.

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

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 4 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 within the Association, the State Auditor, the 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 these specified parties.

Ricci & Company LLC

Albuquerque, New Mexico
March 25, 2011

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2010**

PROCEDURES PERFORMED AND RELATED RESULTS

1. CASH

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on hand.

Bank reconciliations are included as part of the monthly board meetings. We reviewed to ensure they were included in the directors' packets. No exceptions were noted. The printing date for the June 30, 2010 bank reconciliation was July 12, 2010. Reconciliations are completed timely.

The Association has three banking accounts, one bank, and two investments. All reconciliations 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 DFA-Local Government Division.

We selected four months to test including June 2010, February 2010, October 2009 and August 2009. Reconciliations are accurate and tie to supporting detail. However, it was noted that there are no financial reports submitted to DFA-Local Government Division. See Finding 10-2.

- 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.

We determined that the average running balance is below \$250,000 in all accounts; therefore, additional procedures were not performed.

2. CAPITAL ASSETS

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

An annual physical inventory of capital assets is completed. The Authority utilizes the fixed assets listing in QuickBooks software for its inventory listing.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
 AGREED UPON PROCEDURES
 June 30, 2010**

PROCEDURES PERFORMED AND RELATED RESULTS

3. REVENUES

- a) Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

We compared actual to budget for each type of revenue. Results are as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water User Fees	\$ 73,961	75,000	(1,039)
Sewer User Fees	54,201	55,000	(799)
Fees and Penalties	6,142	3,314	2,828
Interest/Dividends	3,194	3,079	115
Miscellaneous	(453)	-	(453)
Total	\$ 137,045	136,393	652

All revenues tested are considered reasonable. The variances in “Fees and Penalties” are due to receiving “other penalties” which are not budgeted.

- b) Test 50% of the total amount of revenues for the following attributes:
 - 1) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
 - 2) 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.

To obtain the 50% coverage, we selected six months of activity, including July 2009, October 2009, December 2009, February 2010, April 2010, and June 2010. These six months yielded a coverage rate of 53% of total water and sewer revenues. No exceptions were noted testing the attributes above.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2010**

PROCEDURES PERFORMED AND RELATED RESULTS

4. EXPENDITURES

- a) Select a sample of cash disbursements and test at least 25 transactions that are representative of the whole and 50% of the total amount of expenditures for the following attributes:
- 1) 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 canceled check, as appropriate.
 - 2) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
 - 3) 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).

To meet the requirements, using a random number generator, we tested 25 transactions selected from the total check range of the Association for the fiscal year. We then selected four additional large transactions using auditor judgment and tested 100% of the Associations payroll. The above attributes were tested without exception for all of the transactions.

5. JOURNAL ENTRIES

- a) If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
- 1) Journal entries appear reasonable and have supporting documentation.
 - 2) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted five journal entries that did not appear to be routine. The five entries were tested using the above attributes. All were tested without exception.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2010**

PROCEDURES PERFORMED AND RELATED RESULTS

6. BUDGETS

- a) Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- 1) 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.

We verified the Board of Directors approved the original budget. We also verified that the one budget adjustment was approved. However, we did not note approval from DFA-LGD. See Finding 2010-02.

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

It was determined that the Association exceeded the final budget at the legal level of budgetary control by \$1,376. See Finding 2010-01.

- 3) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

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

7. 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.

The only item noted was the timing of submitting this report. The report is considered to be a late report. See Finding 2010-03.

MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water User Fees	\$ 75,000	75,000	73,508	(1,492)
Sewer Usage Fees	55,000	55,000	54,201	(799)
Fees and Penalties	3,443	3,443	6,142	2,699
Interest and Dividends	3,079	3,079	3,194	115
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Total revenues	136,522	136,522	137,045	523
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Expenditures				
Current:				
System Operation and Maintenance	41,935	41,935	38,963	2,972
Management	85,102	93,144	97,951	(4,807)
Board Expenses	643	643	184	459
Fixed Expenses	1,064	1,064	1,064	-
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Total expenditures	128,744	136,786	138,162	(1,376)
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Excess of revenues over expenditures and other financing sources	\$ 7,778	(264)	(1,117)	(853)
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**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

2010-01 Budgetary Compliance

CONDITION

Actual expenses exceeded budgeted expenses for the Mora Mutual Domestic Water Consumers Association by \$1,376.

CRITERIA

Per SAO Rule 2.2.2.10 P(1), "If actual expenditures exceed budgeted expenditures at the legal level of budgetary compliance, that fact must be reported in a finding."

CAUSE

During the year ended June 30, 2010, the board of directors approved a one time payout of accrued vacation. Although the original budget was amended, the increase was not enough to cover the total expenses of this payout.

EFFECT

The Association is not in compliance with state statutes.

RECOMMENDATION

We recommend that the Association comply with legal budget requirements as outlined in the State Auditor Rule.

MANAGEMENT RESPONSE

The Association management incurred additional expenses within the operating budget year that were not in the original budget. Although the board of directors approved the expenditure, the budget adjustment at the time was not enough to cover the expense. The board of directors will now be presented with the budget report "Budget vs. Actual" in the monthly board packet information to more closely monitor and eliminate budget over runs.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

2010-02 Submission of Reports to the Department of Finance and Administration (DFA)

CONDITION

It was noted that the Mora Mutual Domestic Water Consumers Association does not file any financial and budgetary reports with DFA- LGD.

CRITERIA

NMSA 6-6-2 requires local public bodies to submit quarterly financial reports and annual budgets to DFA- LGD.

CAUSE

Since the Association was unclear as to what was required, management determined it was in the Association's best interest to maintain all records and wait to be contacted by DFA instead of submitting erroneous reports.

EFFECT

The Association is not in compliance with NMSA 6-6-2.

RECOMMENDATION

The Association should establish a working relationship with its DFA analyst to help the Association file all required reports accurately and in a timely manner.

MANAGEMENT RESPONSE

When the Sanitary Projects Act was revised in the 2006 by the New Mexico Legislature, it was outlined that water systems organized under this statute would be required to submit financial reports to DFA on an annual basis. The Association made inquiries to DFA at the time as to whom exactly was to receive this information and in what format they would need it in. After several attempts for clarification, the confusion as to what the details were remained. Since then, the Association and DFA have not resolved the question at hand. This has resulted in association's confusion as to the specifics of the requirement. The Association has and currently maintains financial and budgetary information and is available for submission at any time. The Association will determine who the current DFA analyst is for our area and resolve this matter.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

2010-03 Late Submission of Report

CONDITION

The agreed upon procedures report for the fiscal year ended June 30, 2010 was not filed timely by December 1, 2010 as required.

CRITERIA

The due date of December 1, 2010 is established in Section 2.2.2.9 NMAC of the 2010 State Auditor Rule.

CAUSE

Due to a misunderstanding of the contract approval process, the Association was late in submitting its independent public accountant recommendation to the New Mexico State Auditor's Office, and the contract for these procedures was not approved until February 2011.

EFFECT

The report was not made available on a timely basis for use by the Legislature, the administration, or by other users.

RECOMMENDATION

Future required reports should be filed timely as possible.

MANAGEMENT RESPONSE

The Association did not understand that the "agreed upon procedures" also fell under the contract requirements for a full audit. Upon inquiry to the State Auditor's Office we were informed that this was the case. At that time we engaged in the required process but were unable to meet the December 1, 2010 deadline. Now that we are clear on the process, every effort will be made to meet this deadline on future reviews.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
EXIT CONFERENCE
June 30, 2010**

An exit conference was held on March 25, 2011 to discuss the agreed upon procedures. Attending were the following:

Representing the Mora Mutual Domestic Water Consumers Association:

Board of Directors
Elouterio Trujillo, President

Management
Clarence Aragon, Operations Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager