

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

REPORT ON AGREED UPON PROCEDURES

JUNE 30, 2016

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

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

June 30, 2016

Official Roster

Board of Directors

Elauterio Trujillo, President
Andrew Jaramillo, Vice-President
Charlie Vigil, Secretary/Treasurer
Frank F. Trambley
Duane Martinez

Principal Employees

Clarence Aragon, Operations Manager



**Independent Accountant's Report on
Applying Agreed Upon Procedures**

**6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800**

To Management
Mora Mutual Domestic Water Consumers and Sewage Works Association
Mora, New Mexico
and
To Mr. Timothy Keller, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Mora Mutual Domestic Water Consumers and Sewage 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, 2016. 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 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
December 9, 2016

**MORA MUTUAL DOMESTIC CONSUMERS WATER AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

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.

The Association has two checking accounts at a bank and two savings accounts held with two different credit unions. One checking account serves as the Association's primary operating account. The other checking account was opened in 2013 and has been used to administer funds received from the United States Department of Agriculture (USDA) for a wastewater project. Although the USDA account remains open at June 30, 2016, transaction activity has been limited to monthly bank service charges since the end of 2014.

Transaction activity in both savings accounts is also minimal. The Association utilizes QuickBooks software to record cash transactions and reconcile the primary operating account.

We reviewed the operating 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 within 30 days of month's end.

Bank statements for the other checking account and both savings accounts are received at least quarterly. With activity limited to service fees, interest earned, and inter-account transfers, these accounts are not formally reconciled. In lieu of formal reconciliations, the general ledger for these accounts is reviewed for consistency with the statements received, and activity is updated as required.

Our procedures determined that one savings account balance in the general ledger (GL) was consistent with the bank account statement at June 30, 2016. The other savings account GL was not consistent with the bank statement balance at year-end. The GL balance excluded interest earned on the account in the last quarter of the fiscal year causing a variance of \$40.53. In addition, we noted that the GL balance for the USDA checking account was also not consistent with the bank statement balance at year-end. The GL balance did not reflect monthly bank service fees for August 2015 to June 2016 and included an invalid entry causing a variance of \$238.50. As a consequence, information supplied to NM DFA-Local Government Division regarding the Association's cash balance for these accounts at year end was inaccurate. Finding 2016-001 is included in the Schedule of Findings and Responses.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

1. CASH – CONTINUED

- 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 five bank reconciliations for the Association's primary operating account to test for accuracy: July 2015, September 2015, December 2015, April 2016, and June 2016. Reconciliations appeared to be complete and tied to the bank account statement maintained with the QuickBooks software generated reconciliation report.

However, for four of the five reconciliations tested, we noted that the register balance on the printed reconciliation report did not agree with the QuickBooks software general ledger transaction detail at year end as a result of the following:

- A check disbursement was backdated in July after the July account reconciliation was completed. The backdating appears to have been done in an effort to match the disbursement with the month the expenditure was incurred.
- Two deposit entries dated July 30, 2015 and September 2, 2015 were entered after the July and September account reconciliations were completed. These two deposits are reflected as uncleared transactions at June 30, 2016. They appear to be potentially invalid or duplicate entries.
- Two disbursement transactions dated in the general ledger in May 2016 were reflected as cleared transactions in the April reconciliation. These two transactions appear to have been incorrectly dated.

Finding 2016-002 is included in the Schedule of Findings and Responses.

We also noted that the June 2016 reconciliation listed stale-dated, potentially invalid uncleared transactions of more than twelve months old, totaling \$2,079 in deposits and \$4,359 in disbursements. Finding 2016-003 is included in the Schedule of Findings and Responses.

- 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 Association's cumulative account balances held at each financial institution did not exceed federally insured limits. As a result, pledged collateral was not required.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

2. CAPITAL ASSETS

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

The Association performs an annual inventory as required by Section 12-6-10 NMSA 1978, and a capital asset listing is maintained on an Excel spreadsheet.

3. REVENUES

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

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

We compared actual to budget for each type of revenue.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water User Fees	\$ 109,587	100,600	8,987
Sewer User Fees	61,024	60,899	125
Fees and Penalties	11,185	7,000	4,185
Interest/Dividends	<u>683</u>	<u>1,000</u>	<u>(317)</u>
Total	<u>\$ 182,479</u>	<u>169,499</u>	<u>12,980</u>

Variances are consistent with the Association’s practice of conservative budgeting.

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

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

3. REVENUES – CONTINUED

Select a sample of revenues based on auditor judgment and test using the following attributes:

- a) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- b) 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.

Sampling techniques require that a minimum of 2 transactions be tested if the transaction is monthly. We considered this to be a monthly transaction since revenues are recorded monthly. We selected three months of activity for testwork: August 2015, December 2015, and April 2016. No exceptions were noted testing the attributes above.

4. EXPENDITURES

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

We selected a sample of twenty cash disbursements for testwork; seventeen were selected randomly and three were selected by auditor judgment. We also tested the Association's payroll expense by comparing total payroll disbursements to the approved pay rates and analytically examined payroll tax and retirement expense. Transactions tested represented 58% of the total expenditures in the fiscal year. The above attributes tested without exception for all transactions.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

5. JOURNAL ENTRIES

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

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

The Association uses QuickBooks software to maintain the general ledger. Based on our interview of Association personnel and review of the journal entries made in the fiscal year, we determined that the Association does not use journal entries as part of its routine record-keeping, and so, does not have procedures for journal entry review. However, journal entries may be made at or after year-end to correct errors or reclassify activity as needed. These journal entries are made under the guidance and technical assistance provided by the New Mexico Rural Water Association, of which the Association is a member.

Our procedures determined that all seven of the journal entries made in the fiscal year were entered at or near year-end and with the assistance of the New Mexico Rural Water Association. All significant items appeared reasonable and were properly supported.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

6. BUDGETS

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

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

By review of Board meeting minutes and resolution, we verified that the Board of Directors approved the operating budget for the year ended June 30, 2016. The Association received a notification of receipt from DFA-LGD on June 29, 2015 and a budget approval letter dated August 18, 2015. No budget adjustments were adopted in the year.

- b) 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 did not exceed the final budget at the total fund level, which is the legal level of budgetary control.

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

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

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

7. OTHER

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.

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

MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND- BUDGET BASIS
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water user fees	\$ 100,600	100,600	109,587	8,987
Sewer usage fees	60,899	60,899	61,024	125
Fees and penalties	7,000	7,000	11,185	4,185
Interest and dividends	1,000	1,000	683	(317)
Total revenues	<u>169,499</u>	<u>169,499</u>	<u>182,479</u>	<u>12,980</u>
Reserves Budgeted	105,199	105,199	-	(105,199)
Total revenues and reserves budgeted	<u>\$ 274,698</u>	<u>274,698</u>	<u>182,479</u>	<u>(92,219)</u>
Expenditures				
Current:				
System operation and maintenance	\$ 142,751	142,751	111,426	31,325
Management	108,752	108,752	96,624	12,128
Fixed expenses	23,177	23,177	17,244	5,933
Total expenditures	<u>\$ 274,680</u>	<u>274,680</u>	<u>225,294</u>	<u>49,386</u>
Deficiency of revenues under expenditures			<u>\$ (42,815)</u>	

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss Budget vs. Actual
 July 2015 through June 2016

	NM DFA-LGD REPORTED			
	<u>Jul '15 - Jun 16</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
000- Water User Fees	110,906.30	100,599.96	10,306.34	110.2%
001- Sewer Usage Fees	61,023.94	60,898.92	125.02	100.2%
004- Fees and Penalties	11,184.60	6,999.96	4,184.64	159.8%
005- Interest/ Dividends	680.33	999.96	-319.63	68.0%
009- Meter Reading Adjustments	-1,318.79	0.00	-1,318.79	100.0%
Uncategorized Income	0.00	0.00	0.00	0.0%
Total Income	<u>182,476.38</u>	<u>169,498.80</u>	<u>12,977.58</u>	<u>107.7%</u>
Gross Profit	182,476.38	169,498.80	12,977.58	107.7%
Expense				
100-SYSTEM OPERATION & MAINT	111,423.42	142,750.80	-31,327.38	78.1%
200-MANAGEMENT	96,496.35	108,751.94	-12,255.59	88.7%
300-BOARD EXPENSES	128.00			
500-FIXED EXPENSES	3,284.33	23,177.47	-19,893.14	14.2%
Uncategorized Expenses	3.00			
Total Expense	<u>211,335.10</u>	<u>274,680.21</u>	<u>-63,345.11</u>	<u>76.9%</u>
Net Ordinary Income	<u>-28,858.72</u>	<u>-105,181.41</u>	<u>76,322.69</u>	<u>27.4%</u>
Other Income/Expense				
Other Income				
Transfer From Reserve Accts	0.00	105,199.92	-105,199.92	0.0%
Total Other Income	<u>0.00</u>	<u>105,199.92</u>	<u>-105,199.92</u>	<u>0.0%</u>
Other Expense				
Transfer To Reserve Accts	0.00	0.00	0.00	0.0%
Total Other Expense	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>
Net Other Income	<u>0.00</u>	<u>105,199.92</u>	<u>-105,199.92</u>	<u>0.0%</u>
Net Income	<u><u>-28,858.72</u></u>	<u><u>18.51</u></u>	<u><u>-28,877.23</u></u>	<u><u>-155,908.8%</u></u>

NOTE: The report above reflects the year-end results submitted to NM DFA- LGD by the Association in July 2016. Subsequent to report submission, certain reclassifying and correcting entries were made to the accounting records. These adjustments are reflected in the Schedule of Revenues and Expenditures- Budget-to-Actual, on page 12.

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.

Balance Sheet

June 30, 2016

	DFA REPORTED	AS ADJUSTED
	Jun 30, 16	Jun 30, 16
ASSETS		
Current Assets		
Checking/Savings		
Southwest Capital Bank	268.00	268.00
Operational Checking Acct- BLV	75,496.48	73,917.59
Change Fund	52.20	52.20
St Gertrude's Credit Union	12,871.01	12,871.01
Rincones Credit Union	32,514.17	32,514.17
Total Checking/Savings	121,201.86	119,622.97
Accounts Receivable		
Due from Customers	38,743.91	38,743.91
Accts Receivable	20.90	-197.44
Total Accounts Receivable	38,764.81	38,546.47
Total Current Assets	159,966.67	158,169.44
Fixed Assets		
Infrastructure		
WW Collection System	1,718,154.66	1,718,154.66
Infrastructure - Other	92,748.44	92,748.44
Total Infrastructure	1,810,903.10	1,810,903.10
Total Fixed Assets	1,810,903.10	1,810,903.10
TOTAL ASSETS	1,970,869.77	1,969,072.54
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
USDA Waste Water Loan	434,904.09	447,063.19
Gross Receipts Tax Payable	1,642.57	1,642.57
Payroll Liabilities Payable	369.25	369.25
Total Current Liabilities	436,915.91	449,075.01
Total Liabilities	436,915.91	449,075.01
Equity		
Reserve Account		
0-Reserve for Water Expansions	42,000.00	42,000.00
1-Reserve for Sewer Expansions	49,969.09	49,969.09
3-Reserve for Equip R & R	50,000.00	50,000.00
6-Reserve for Audit	9,199.50	9,199.50
9-Reserve for Emergencies	48,000.00	48,000.00
Total Reserve Account	199,168.59	199,168.59
Opening Bal Equity	-131,241.46	-131,241.46
Retained Earnings	1,494,885.45	1,494,885.45
Net Income	-28,858.72	-42,815.05
Total Equity	1,533,953.86	1,519,997.53
TOTAL LIABILITIES & EQUITY	1,970,869.77	1,969,072.54

NOTE: The report column above titled "DFA REPORTED" was submitted to NM DFA - LGD by the Association in July 2016. Subsequent to report submission, certain reclassifying and correcting entries were made to the accounting records. These adjustments are reflected in the "AS ADJUSTED" report column.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

2016-001 INACCURATE SAVINGS ACCOUNT CASH BALANCE AT 6/30/16

CONDITION

As part of completing procedures over bank reconciliations, we noted that one of the Association's savings account balances in the general ledger was not consistent with the bank statement balance at year-end. The GL balance excluded \$40.53 interest earned on the account in the final quarter of the fiscal year. In addition, we noted that the GL balance for the USDA checking account was also not consistent with the bank statement balance at year-end. The GL balance did not reflect monthly bank service fees for August 2015 to June 2016 and included an invalid entry causing a variance of \$238.50. 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

Because transaction activity in these accounts is minimal, a review was inadvertently overlooked for the last quarter of the fiscal year.

EFFECT

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

RECOMMENDATION

Bank statements for the savings accounts are received at least quarterly. Reviews on these accounts should be performed on at least a quarterly basis in a timely manner upon receipt of the statement. We further recommend that management evaluate whether inaccurate information supplied to DFA-Local Government Division needs to be revised and resubmitted.

MANAGEMENT RESPONSE

The Association will make a better effort to do timely reconciliations of accounts that have little to no activity. The timely reconciliations of all bank accounts will be done within 15 days of receiving the statement, effective immediately, and the Operations Manager will be responsible for that task.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

**2016-002 MONTHLY CASH ACCOUNT RECONCILIATION BALANCES ARE
INCONSISTENT WITH ENDING GENERAL LEDGER ACTIVITY DETAIL**

CONDITION

As part of completing procedures over bank reconciliations, we noted that the register balance printed on the reconciliation reports for four of the five reconciliations reviewed did not agree with the QuickBooks software general ledger balance detail as follows:

<u>Month</u>	<u>Reconciled</u>	<u>General ledger</u>	<u>Variance</u>
July 2015	\$ 18,843	\$ 18,904	\$ 61
September 2015	105,328	106,062	734
December 2015	97,265	97,999	734
April 2016	76,285	77,795	1,510

CRITERIA

Transactions recorded in the general ledger should be an accurate representation of actual financial activity. Check and deposit details recorded in the general ledger, including amount, payee and date, should correspond with actual activity. The completion of a bank account reconciliation for a period should effectively close the activity recorded in that period.

CAUSE

Based on our review, the variances appeared to be the result of the following:

- A check disbursement was backdated in July after the July account reconciliation was completed. The backdating appears to have been done in an effort to match the disbursement with the month the expenditure was incurred.
- Two deposit entries dated July 30, 2015 and September 2, 2015 were entered after the July and September account reconciliations were completed. These two deposits are reflected as uncleared transactions at June 30, 2016. These appear to be potentially invalid or duplicate entries.
- Two disbursement transactions dated in the general ledger in May 2016 were reflected as cleared transactions in the April reconciliation. These two transactions appear to have been incorrectly dated.

EFFECT

When bank reconciliations are compared to the current general ledger, the reconciliations appear to be incorrect which makes them unreliable as a control element or source of financial information.

RECOMMENDATION

We recommend that bank account reconciliations be re-performed, and re-reviewed as required, if additional activity is added or adjustments are made to a closed period to make sure the general

ledger agrees to the bank reconciliation.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

**2016-002 MONTHLY CASH ACCOUNT RECONCILIATION BALANCES ARE
INCONSISTENT WITH ENDING GENERAL LEDGER ACTIVITY DETAIL
(CONTINUED)**

MANAGEMENT RESPONSE

This was a rare occurrence in which a separate deposit was made outside the regular service fees collected for water and sewer services and was not accounted for in the accounting data inputted at the time. The deposits were not realized until the deposits showed up in the bank statements during reconciliation. The back dated deposits and how they were cleared were in an effort to account for the revenue, they inadvertently changed the previous reconciliations and this was clearly was not the intent. Staff has been notified to provide documentation of deposits outside of the service fees at the time the deposits are made so they can be documented properly.

The check issues were also addressed immediately, and staff were notified as to the process of depositing and documenting service payments as well as payments for parts and contractor water sales. The Operations Manager is responsible for this task.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

**2016-003 STALE DATED TRANSACTIONS IN CHECKING ACCOUNT
RECONCILIATION AT 6/30/2016**

CONDITION

As part of completing procedures over bank reconciliations, we noted that the June 2016 reconciliation of the primary checking account listed stale-dated and/or potentially invalid transactions of more than twelve months old totaling \$2,079 in uncleared deposits and \$4,359 in uncleared disbursements.

CRITERIA

Proper internal controls over financial reporting and good accounting practices require that the cash accounts be reconciled every month and the reconciling items are a true reflection of valid, outstanding items. In addition, Section 6-10-57, NMSA 1978 requires local public bodies to cancel checks that are unpaid for one year after they become payable.

CAUSE

The Association was unsure how to properly clear stale dated transactions.

EFFECT

Stale dated or invalid outstanding transactions misrepresent the actual cash account balances. In addition, the Association may not be in compliance with state statute regarding to the cancellation of stale dated checks.

RECOMMENDATION

The Association should implement procedures to review outstanding transactions regularly and resolve as necessary.

MANAGEMENT RESPONSE

The Association will make arrangements with our technical assistance provider to remove the unearned deposits and checks made in error that are still in the system. This technical service issue surrounding the cleanup of duplicate and or incorrect deposits and checks will be accomplished before the first quarter of 2017. The Operations manager will be responsible for the scheduling of the services.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
EXIT CONFERENCE
June 30, 2016**

An exit conference was held by telephone on December 14, 2016 to discuss the agreed upon procedures. Attending were the following:

Representing the Mora Mutual Domestic Water Consumers Association:

Board of Directors:

Elauterio Trujillo, President

Management:

Clarence Aragon, Operations Manager

Representing the Independent Accountant:

Sandra K. Ricci, CPA