



STATE OF NEW MEXICO

**Polvadera Mutual Domestic Water Consumers
Association**

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended June 30, 2010

STATE OF NEW MEXICO

Polvadera Mutual Domestic Water Consumers Association

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Agreed-Upon Procedures**

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STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Consumers Association

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STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC CONSUMERS ASSOCIATION

Official Roster
at June 30, 2010

<u>Name</u>	<u>Title</u>
<u>Board Members</u>	
William Chavez	President
Robert Jaramillo	Vice President
Ernest Gonzalez	Treasurer
Jose Vega	Secretary
Robert Vega	Member



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To: William Chavez
Polvadera Mutual Domestic Water Consumers Association
Board of Directors
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Polvadera Mutual Domestic Water Consumers Association (Association) for the year ended June 30, 2010, solely to assist the Association in demonstrating compliance with the provisions of Laws of 2008, Chapter 83, as set forth in the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. The Association was determined to be a Tier 5 entity under the Audit Act, Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the organization's accounting records. 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. Our procedures and findings follow.

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.

Precision Accounting, LLC determined that bank reconciliations were complete and on-hand and appears to have been performed timely.

- 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.

Precision Accounting, LLC selected three months of bank reconciliations and tested them for accuracy and traced ending balances to the general ledger and other supporting documentation and financial reports.

- 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.

Precision Accounting, LLC noted that the Association did not exceed the \$250,000 FDIC insurance.

2. Capital Assets

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

Precision Accounting, LLC verified that the Association has an inventory listing that is updated annually and that depreciation is being determined and recorded.

3. Revenue

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.

Precision Accounting, LLC could not perform this procedure as the Association did not prepare a budget.

Test 50% of the total amount of revenues for the following attributes:

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

Precision Accounting, LLC reviewed 50% of the revenues and agreed them to supporting documentation, the general ledger and the bank statements.

- 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.

Precision Accounting, LLC reviewed 50% of the revenues, noting agreement with supporting documentation, proper classification and recording in the general ledger.

4. Expenditures

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for 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).

Precision Accounting, LLC reviewed 25 transactions and 50% of the total expenditures, and verified the disbursement agrees to the supporting documentation and that the transactions were properly authorized and approved. Precision Accounting, LLC also verified that the transactions were in compliance with the New Mexico Procurement Code and the State Purchasing Act and Regulations Governing the Per Diem and Mileage Act.

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 attribute:

- a) Journal entries appear reasonable and have supporting documentation.

Precision Accounting, LLC reviewed all Journal Entries made during the year and determined that they were reasonable and had 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.

Precision Accounting, LLC reviewed all Journal Entries made during the year, noting that there was no evidence of management review being performed.

6. Budget

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.

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

- 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.

Precision Accounting, LLC could not review a budget as the Association did not prepare or submit a budget to DFA for approval.

7. Capital Outlay Appropriations

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.

- 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.

Precision Accounting, LLC reviewed all capital outlay expenditures, noting agreement to supporting documentation.

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

Precision Accounting, LLC reviewed all capital outlay expenditures, noting all were properly authorized and approved.

- 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).

Precision Accounting, LLC reviewed all capital outlay expenditures, noting all were processed in accordance with laws and regulations.

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

Precision Accounting, LLC reviewed the contract for water rights, noting existence.

- e) Verify that the 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.

Precision Accounting, LLC reviewed that the Association submitted the reports to the New Mexico Environmental Department and the amounts agreed to the general ledger.

- 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.

Precision Accounting, LLC determined that funding was on a reimbursement basis and was not advanced.

- 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.

Precision Accounting, LLC determined that there was no unexpended balance on the capital outlay grants.

- g) 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.

Precision Accounting, LLC determined that this requirement was not applicable.

- 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.

Precision Accounting, LLC reviewed all capital outlay expenditures, noting reimbursement requests for previously paid costs were properly supported.

* * * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof, including the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. 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 the Polvadera Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Precision Accounting, LLC

Precision Accounting, LLC
Albuquerque, New Mexico
October 23, 2013

STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Association
Projects Schedule - Summary
For the Year Ended December 31, 2010

Exhibit A

<u>Grant No.</u>	<u>Grant Type</u>	<u>Amount Awarded</u>	<u>Amount Requested/Received</u>	<u>Actual Amount Expended</u>	<u>Requested Remaining Balance</u>	<u>Actual Legislation</u>	<u>Effective Dates</u>
SAP 06 0219-STB	State	50000	23880.61	50000	\$ -	Construct an addition to the Polvadera MDWCA system including but not limited to a new well, pump house, and new 8" PVC water line between the proposed well and the Kelly or South storage tank.	Through 6/30/2010

STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Consumers Association
Projects Schedule - Detail
For the Year Ended December 31, 2010

<u>Grant No.</u>	<u>Pay Request</u>	<u>Certification/ Request Date</u>	<u>Amount Awarded</u>	<u>Amount Requested/ Received</u>	<u>Date Invoice Received</u>	<u>Invoice Amount</u>	<u>B Warrant/ Check Number</u>	<u>Check Date</u>	<u>Actual Amount Expended</u>	<u>Vendor Paid</u>
SAP 06-0219-STB	1	6/18/2010	50000	23880.61	5/21/2010	21230	9469	5/21/2010	21230	Brian and Lauren Hurtgen
					5/26/2010	2989	9475	5/27/2010	2989	Dusty Electric
				<u>\$ 23,880.61</u>		<u>\$ 24,219.00</u>			<u>\$ 24,219.00</u>	

STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
June 30, 2010

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Budget Reporting	C/D	N/A	AP-2010-01
Late Report	D	N/A	AP-2010-02
Journal entry review	C	N/A	AP-2010-03
Follow-up on Prior Year Findings:			
None	N/A	N/A	N/A

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

AP 2010-01 Budget Reporting

CONDITION: During our agreed upon procedures, we noted that the organization did not prepare a budget to be approved by the Department of Finance and Administration (DFA).

CRITERIA: The 2010 Agreed Upon Procedures for Tier 5 require the budget be obtained and reviewed and that analytical procedures be conducted on revenue and expenditures.

CAUSE OF CONDITION: The Association did not know they were subject to the Act and was unaware of the requirement to submit and obtain approval of a budget.

EFFECT OF CONDITION: The Association is not in compliance with the 2010 Agreed Upon Procedures for Tier 5 of the Audit Act with regard to the budget. In addition, analytical procedures on revenues and expenditures could not be performed, as such we are unable to determine if expenditures exceeded the legal level of budgetary control.

RECOMMENDATION: We recommend that the Association comply with the regulatory requirements by preparing an annual budget and submitting it to DFA for approval.

CLIENT RESPONSE: Upon learning of the requirement in 2013, the Association prepared and submitted their 2013 budget to DFA for approval.

AP 2010-02 Late Report

CONDITION: The annual agreed upon procedures for the year ending December 31, 2010 were not conducted submitted on or before December 1, 2010.

CRITERIA: NMAC 2.2.2.9 requires that the agreed upon procedures be completed and submitted to the New Mexico State Auditor on or before December 1.

CAUSE OF CONDITION: The Association did not know they were subject to the Act and therefore did not comply. In addition, the Association has a fiscal year end of December 31 per their bylaws and this does not coincide with the timing of the requirement for the agreed upon procedures.

STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
June 30, 2010

EFFECT OF CONDITION: The Association is in violation of Section 12-6-3 B (5) NMSA 1978 and Section 2.2.16 NMAC having failed to submit their agreed upon procedures report by the required date which could jeopardize their eligibility for funding from the State Legislature.

RECOMMENDATION: We recommend that the Association comply with the regulatory requirements and that they review their bylaws and state statutes to ensure compliance with the Audit Act.

CLIENT RESPONSE: The Association will review its bylaws and the regulatory requirements and make necessary changes to ensure future compliance with the Audit Act.

AP 2010-03 Journal Entry Review

CONDITION: During our agreed upon procedures, we noted that the organization did not have evidence to support the review of the journal entries prepared by the Fee Accountant.

CRITERIA: The 2010 Agreed Upon Procedures for Tier 5 require journal entries to be reviewed and that there is evidence the review are being performed.

CAUSE OF CONDITION: The Association was unaware of the requirement to have evidence that the journal entries are being reviewed.

EFFECT OF CONDITION: Journal entries made were not evidenced as reviewed by members of management and therefore it could not be ascertained that they were approved.

RECOMMENDATION: We recommend that the Association board review and initial the journal entries noting their approval of those entries.

CLIENT RESPONSE: The Office Manager will request the board to review and sign off as approval for the journal entries made by the Fee Accountant.

STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Consumers Association

Exit Conference
Year Ended June 30, 2010

EXIT CONFERENCE

The report contents were discussed at an exit conference held on October 23, 2013 with the following in attendance:

Polvadera Mutual Domestic Water Consumers Association

Anita Montoya, Office Manager

Accounting Firm

Melissa R. Santistevan, CPA, CFE, CICA, CGMA