



**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES - TIER 4**

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER  
CONSUMERS ASSOCIATION**

**DECEMBER 31, 2018**

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
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DECEMBER 31, 2018**

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**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2018**

**Board Members**

Robert Jaramillo	President
William Chavez	Vice President
Jose Vega	Treasurer
Robert Vega	Secretary
David DiBartolomeo	Member



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Robert Jaramillo, President  
Polvadera Mutual Domestic Water Consumers Association  
Lemitar, New Mexico  
and Mr. Brian Colón  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below for the Polvadera Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2018, solely to assist the Association in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 B (4) NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A and B. 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. **Verify** the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

[Jaramillo Accounting Group LLC \(JAG\) verified the revenue calculation and tier determination.](#)

2. **Cash**

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

[JAG determined that bank and investment statements were complete and on-hand and that the checking account was reconciled in a timely manner. It does not appear that the savings accounts and two investment accounts were reconciled in a timely manner in 2018. See Finding 2018-003. Bank statements and the checking account reconciliation are sent monthly to their contracted CPA for review.](#)

- 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.

Mr. Robert Jaramillo, President  
Polvadera Mutual Domestic Water Consumers Association  
and Mr. Brian Colón  
New Mexico State Auditor

JAG selected four months of bank reconciliations for the checking account and two quarters for the savings account and two investment accounts; tested the bank reconciliations for accuracy and traced ending balances to the general ledger, 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.

JAG noted that the Association's bank accounts did not exceed \$250,000 and thus pledged collateral was not required on any of its bank accounts.

### 3. Capital Assets

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

JAG noted that a yearly inventory is not performed as required by Section 12-6-10 NMSA 1978. See Finding 2018-001.

### 4. 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.

JAG performed an analytical review of budget to actual for each type of revenue.

- b) Select and test a sample of revenue equal to at least 30% of the total amount of revenues for the following attributes:
  - i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

JAG reviewed the 25 highest dollar cash receipts and an additional 10 random cash receipts, and agreed them to supporting documentation, general ledger, and bank statements.

- ii. Proper recording of classification, amount, 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.

Mr. Robert Jaramillo, President  
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and Mr. Brian Colón  
New Mexico State Auditor

JAG reviewed the 25 highest dollar cash receipts and an additional 10 random cash receipts, noting agreement with proper supporting documentation, proper classification, and recording in the general ledger. JAG discovered one unrecorded transaction for \$49,450 in revenue in March of 2018 for DFA Planning Grant funds. See Finding 2018-004.

## 5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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, 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).

JAG reviewed the 15 highest dollar expenditures and an additional 10 random expenditures. Additionally, we haphazardly selected a sample of 12 payroll expenditures. We verified the disbursements agreed to the supporting documentation and that the transactions were properly authorized and approved. JAG also verified that the transactions were in compliance with the New Mexico Procurement Code, the State Purchasing Act and Regulations Governing the Per Diem and Mileage Act. JAG determined that 4 of the 25 expenditures tested were not in compliance with the New Mexico Procurement Code. See Finding 2018-002.

## 6. Journal Entries

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.

JAG reviewed the QuickBooks listing of journal entries recorded during the year and determined that they were routine and appeared reasonable. JAG also noted the additional journal entry to correct the previously unrecorded NMFA grant for \$49,450 appeared reasonable and had proper 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.

Mr. Robert Jaramillo, President  
Polvadera Mutual Domestic Water Consumers Association  
and Mr. Brian Colón  
New Mexico State Auditor

JAG reviewed all journal entries made during the year, noting that a review is done during board meetings and is documented in the board minutes.

## 7. Budget

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

- 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.

JAG reviewed the board-approved original budget submitted to DFA-LGD for approval and noted DFA approval was provided in correspondence to the Association. We noted that the Association processed one budget adjustment request during the year and that the budget adjustment had proper Board and DFA-LGD approvals. However, due to the effect of an unrecorded transaction discovered during the audit (See Procedure 4), actual expenditures exceed the approved budget by \$48,397. See Exhibit A. See Finding 2018-004.

## 8. Other

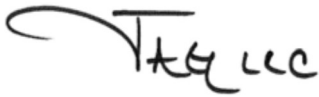
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content detailed in Section 2.2.10(L) NMAC.

No other information or findings came to our attention during the engagement.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of the Association as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of the Association. 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.

Mr. Robert Jaramillo, President  
Polvadera Mutual Domestic Water Consumers Association  
and Mr. Brian Colón  
New Mexico State Auditor

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, the Department of Finance and Administration - Local Government Division, and the New Mexico Legislature. It is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
March 11, 2020



**STATE OF NEW MEXICO**  
**POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (INCOME TAX BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**EXHIBIT A**

	Budgeted Amounts			Variances
	Original	Final	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Fees and charges	\$ 315,732	\$ 390,000	\$ 237,949	\$ (152,051)
Miscellaneous (includes grants)	312	-	55,128	55,128
<b>Total Revenues</b>	316,044	390,000	293,077	(96,923)
<b>EXPENDITURES</b>				
Salaries - Operator, Bookkeeper, etc.	99,600	27,443	58,385	(30,942)
Employee Benefits and Expenses	24,540	5,400	36,199	(30,799)
Electricity	30,000	40,000	28,324	11,676
Other Utilities - Gas, Water, Sewer, Telephone	3,877	3,877	5,058	(1,181)
System Parts and Supplies	16,800	20,000	21,604	(1,604)
System Repairs and Maintenance	3,000	75,000	43,765	31,235
Vehicle Expenses	1,440	17,280	86	17,194
Office and Administrative Expenses	65,252	31,000	55,850	(24,850)
Professional Services - Accounting, Engineering, Legal	6,000	40,591	11,800	28,791
Insurance	10,020	10,020	12,750	(2,730)
Dues, Fees, Permits and Licenses	5,520	5,520	7,219	(1,699)
Taxes	16,500	25,000	4,986	20,014
Training	-	-	-	-
Miscellaneous (includes grants)	7,340	10,000	55,448	(45,448)
Annual Debt Service - Loan 1	-	-	-	-
<b>Total Expenditures</b>	289,889	311,131	341,474	(30,343)
<b>Excess revenues over (under) expenditures</b>	\$ 26,155	\$ 78,869	\$ (48,397)	\$ (127,266)

**Polvadera M.D.W.C. Association**  
**Statement of Assets, Liabilities & Equity - Income Tax Basis**  
**As of the Date**

	Dec 31, 18	Dec 31, 17
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Checking/Savings</b>		
Washington Federal (CD # 66...	58,861.38	58,572.79
Nusenda Credit Union	129,977.97	129,618.66
Checking	7,284.74	25,861.64
Savings	29,579.59	14,554.35
<b>Total Checking/Savings</b>	<b>225,703.68</b>	<b>228,607.44</b>
<b>Other Current Assets</b>		
Petty Cash	250.00	250.00
<b>Water Receivables</b>		
Customer Receivables	47,804.33	46,598.64
Allowance for Uncollectable	-10,212.00	-10,212.00
<b>Total Water Receivables</b>	<b>37,592.33</b>	<b>36,386.64</b>
<b>Total Other Current Assets</b>	<b>37,842.33</b>	<b>36,636.64</b>
<b>Total Current Assets</b>	<b>263,546.01</b>	<b>265,244.08</b>
<b>Fixed Assets</b>		
Buildings & Office Equip	114,919.30	114,919.30
System and Storage	1,442,427.74	1,442,427.74
Pumps & Equipment	177,305.97	177,305.97
Wells	211,332.14	211,332.14
Water Rights	186,409.00	186,409.00
Construction in Progress	12,500.00	12,500.00
Accumulated Depreciation	-1,100,830.37	-1,054,425.37
<b>Total Fixed Assets</b>	<b>1,044,063.78</b>	<b>1,090,468.78</b>
<b>TOTAL ASSETS</b>	<b>1,307,609.79</b>	<b>1,355,712.86</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Other Current Liabilities</b>		
Accounts Payable	131.33	131.32
Gross Receipts Payable	695.55	867.72
<b>Payroll Liabilities</b>		
FUTA	96.82	0.00
SUTA	11.34	0.00
941 Payable	1,157.40	1,737.22
State Withholding	141.20	169.94
Other Payroll Liabilities	8.60	0.00
<b>Total Payroll Liabilities</b>	<b>1,415.36</b>	<b>1,907.16</b>

**Polvadera M.D.W.C. Association**  
**Statement of Assets, Liabilities & Equity - Income Tax Basis**  
**As of the Date**

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	Dec 31, 18	Dec 31, 17
<b>Total Other Current Liabilities</b>	2,242.24	2,906.20
<b>Total Current Liabilities</b>	2,242.24	2,906.20
<b>Long Term Liabilities</b>		
<b>Membership Acct. Deposits</b>	25,380.45	24,422.97
<b>Total Long Term Liabilities</b>	25,380.45	24,422.97
<b>Total Liabilities</b>	27,622.69	27,329.17
<b>Equity</b>		
<b>Contributed Capital</b>	513,278.12	513,278.12
<b>Retained Earnings</b>	815,105.57	828,978.59
<b>Net Income</b>	-48,396.59	-13,873.02
<b>Total Equity</b>	1,279,987.10	1,328,383.69
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,307,609.79</b>	<b>1,355,712.86</b>

**Polvadera M.D.W.C. Association**  
**Statement of Revenues & Expenses - Income Tax Basis**  
For the Period Ended

	Jan - Dec 18	Jan - Dec 17
<b>Income</b>		
Water Sales	237,949.03	232,083.01
Interest Income-op	401.91	24.76
Interest Income-CD	288.59	530.06
Grants	1,000.00	37,500.00
<b>Other Income</b>		
Meter Transfer Fee	550.00	200.00
New Membership Fees	2,550.00	0.00
Other Income - Other	887.86	300.00
<b>Total Other Income</b>	3,987.86	500.00
<b>Total Income</b>	243,627.39	270,637.83
<b>Gross Profit</b>	243,627.39	270,637.83
<b>Expense</b>		
<b>EMPLOYEE BENEFITS &amp; EXPENSES</b>		
Gross Wages	52,683.96	75,252.77
Payroll Taxes	4,412.03	6,035.33
Director Fees	8,104.12	6,650.00
Contract Labor	28,094.20	10,784.75
<b>Total EMPLOYEE BENEFITS &amp; EXPEN...</b>	93,294.31	98,722.85
<b>ELECTRICITY</b>	28,323.13	27,215.25
<b>OTHER UTILITIES</b>		
Internet Service	791.54	69.02
Pest Control	1,038.67	1,072.80
Propane	489.25	379.00
Telephone	2,739.10	1,959.91
<b>Total OTHER UTILITIES</b>	5,058.56	3,480.73
<b>SYSTEM Parts and Supplies</b>	21,605.64	11,680.94
<b>SYSTEM Repairs and Maintenance</b>	43,851.07	141.84
<b>Vehicle Expenses</b>	220.14	344.13
<b>OFFICE &amp; ADMIN EXPENSES</b>		
Ads & Notifications	295.46	0.00
Annual Meeting Expenses	1,759.58	4,541.22
Bank Service Charges	1.82	38.54
Credit Card Merchant Fees	3,238.15	2,877.75
Depreciation Expense	46,405.00	49,656.96
Interest Expense	0.00	375.10
Meeting	861.00	16.06
Office Supplies	4,197.04	1,913.15
Office Building R&M	1,425.74	0.00
Postage and Delivery	2,539.38	3,126.85

**Polvadera M.D.W.C. Association**  
**Statement of Revenues & Expenses - Income Tax Basis**  
For the Period Ended

	Jan - Dec 18	Jan - Dec 17
<b>Total OFFICE &amp; ADMIN EXPENSES</b>	60,723.17	62,545.63
<b>PROFESSIONAL SERVICES</b>		
Lab Expense	48.38	0.00
Legal & Professional	11,981.13	7,609.18
<b>Total PROFESSIONAL SERVICES</b>	12,029.51	7,609.18
<b>Insurance</b>	12,748.93	10,738.45
<b>Dues Fees Permits &amp; Licenses</b>	7,218.39	5,715.67
<b>Taxes</b>		
Conservation fee	2,198.46	2,024.80
Gross Receipt Tax	0.00	10,905.06
<b>Total Taxes</b>	2,198.46	12,929.86
<b>MISCELLANEOUS EXPENSES</b>		
Fuel & Oil	1,329.96	742.62
Grant Expense	0.00	37,500.00
Miscellaneous	335.03	1,674.71
Penalties	55.08	15.12
Scholarship Fund	1,550.00	1,667.00
Travel	1,482.60	1,786.87
<b>Total MISCELLANEOUS EXPENSES</b>	4,752.67	43,386.32
<b>Total Expense</b>	292,023.98	284,510.85
<b>Net Income</b>	<b>-48,396.59</b>	<b>-13,873.02</b>

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2018**

2016-003	Yearly Physical Inventory	Repeated
2016-005	Actual Expenditures Exceeded Budgeted Amounts	Repeated & modified

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2018**

**2018-001 (previously 2016-003) Yearly Physical Inventory – Compliance**

**CONDITION**

The Association did not perform a yearly physical inventory of capital assets at or near year end. The Association did not make progress with corrective action on this finding from last year.

**CRITERIA**

Section 12-6-10 NMSA 1978 requires an annual physical inventory of capital assets.

**EFFECT**

The Association is not in compliance with applicable statutes, thus creating a risk that assets may not be accurately tracked and reported.

**CAUSE**

The Association has not historically performed a physical inventory and was not aware of the requirement to do so.

**AUDITOR'S RECOMMENDATION**

The Association should ensure that in the future a yearly physical inventory is performed.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** The Association will ensure in the future that a physical inventory is performed yearly.

**Responsible Party:** Board and Association Office Manager

**Timeline of Corrective Action:** By the end of year 2019

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2018**

**2018-002 Procurement Documentation – Chief Procurement Officer**

**CONDITION**

The Association does not have a Chief Procurement Officer (CPO). The Association is required to choose an employee to take the State General Services Department CPO training and ensure that all procurements are in compliance with requirements. This helps ensure compliance and that the Association is obtaining the best obtainable price.

The Association should improve their documentation on sole source procurement for utilities work and related party transactions, in accordance with the Open Meetings Act (OMA) and Governmental Conduct Act (GCA). The well-known board decisions over related party utilities work of \$41,726, meter reading services of \$11,230 and well maintenance and sampling services of \$7,794 should be formally documented in the agendas and minutes available to the public.

Additionally, we noted that while the public was informed of regular and special meetings at least 72 hours advance, this notification did not include a list of specific items to be discussed or transacted or information on how the public may obtain a copy of such an agenda.

**CRITERIA**

All local public bodies are required to name a Chief Procurement Officer (CPO) and register that individual with the General Services Department/State Purchasing Division. The CPO is responsible for oversight, review and approval of purchases, per 13-1-95.2 NMSA 1978. The statute states that "only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code."

The GCA, NMSA 1978, 10-16 places certain restrictions on public officers or employees of local governments. The restrictions are not absolute. It is possible for public officers or employees to contract with the government they are party to, provided they meet conditions. Certain relevant statutes and conditions are noted below.

10-16-4(B) NMSA 1978 states: "A public officer or employee shall be disqualified from engaging in any official act directly affecting the public officer's or employee's financial interest, except a public officer or employee shall not be disqualified from engaging in an official act if the financial benefit of the financial interest to the public officer or employee is proportionately less than the benefit to the general public."

10-16-7(B) NMSA 1978 states: "Unless a public officer or employee has disclosed the public officer's or employee's substantial interest through public notice and unless a contract is awarded pursuant to a competitive process, a local government agency shall not enter into a contract with a public officer or employee of that local government agency, with the family of the public officer or employee or with a business in which the public officer or employee or the family of the public officer or employee has a substantial interest."

Although in these instances, in a small community with very limited qualified companies and personnel, the benefit to the general public is likely greater than the board members' or employees' direct but perhaps



**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2018**

**2018-002 Procurement Documentation – Chief Procurement Officer - Continued**

insubstantial financial interests, and the decisions are well-known to the public and oversight agencies, it is good practice to include all decisions (and abstaining votes) in the agendas and minutes.

The OMA, 10-15-1(F), NMSA 1978 states: “Meeting notices shall include an agenda containing a list of specific items of business to be discussed or transacted at the meeting or information on how the public may obtain a copy of such an agenda. Except in the case of an emergency or in the case of a public body that ordinarily meets more frequently than once per week, at least seventy-two hours (72) hours prior to the meeting, the agenda shall be available to the public and posted on the public body’s web site, if one is maintained. A public body that ordinarily meets more frequently than once per week shall post a draft agenda at least seventy-two (72) hours prior to the meeting and a final agenda at least thirty-six (36) hours prior to the meeting. Except for emergency matters, a public body shall take action only on items appearing on the agenda.”

**EFFECT**

The New Mexico State Procurement Code applies to all contracts solicited or entered by state agencies and local public bodies. The purposes of the Code “are to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity.” The Governmental Conduct Act exists to ensure that public officers and employees are using the powers and resources to advance the public interest and not to obtain personal benefits or pursue private interests. Any lack of documentation of compliance with the Sunshine Laws (OMA, GCA) may erode public trust.

**CAUSE**

The Association has not yet designated a CPO to ensure all documentation is completed properly.

**AUDITOR’S RECOMMENDATION**

The Board should an individual to be certified as a CPO, filed and listed on the General Services Department/State Purchasing Division website, and put procedures into place to ensure that all procured services are following applicable state law.

**MANAGEMENT’S RESPONSE**

**Corrective Action:** The Association will ensure an individual will be certified as a CPO for the Association and will put procedures in place to ensure procured services are following applicable state law.

**Responsible Party:** Board and Office Manager

**Timeline of Corrective Action:** By the end of year 2019

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2018**

**2018-003 Bank Reconciliations – Compliance**

**CONDITION**

During 2018, the Association did not reconcile its First State Bank savings account, Nusenda Credit Union investment account, and Washington Federal investment account, from the bank balance to the general ledger balance. These accounts typically have very low volumes of activity.

**CRITERIA**

6-6-3 NMSA 1978 discusses good accounting practices and requires that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

**EFFECT**

The Association is not in compliance with DFA-LGD, local governance reporting requirements.

**CAUSE**

Management was not aware of this requirement.

**AUDITOR'S RECOMMENDATION**

The Association should ensure that investment accounts are reconciled timely upon receipt of the statements.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** The Association will ensure in the future that all accounts are reconciled in a timely manner.

**Responsible Party:** Board and Association Office Manager

**Timeline of Corrective Action:** By the end of year 2019

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
YEAR ENDED DECEMBER 31, 2018**

**2018-004 (previously 2016-005) Actual Expenditures Exceeded Budgeted Amounts – Compliance**

**CONDITION**

Actual expenditures exceeded the approved budget by \$48,397 for the year.

The Association improved on this finding from the prior year, as it got Board and DFA-LGD approval for a budget adjustment that would have brought it into compliance. However, the Association failed to record \$49,450 in revenue in March of 2018 for DFA Planning Grant funds that were disbursed directly from DFA to the vendor. This unrecorded revenue was discovered by the auditor per a review of the Association's DFA activity statement and the March 2018 board meeting minutes.

**CRITERIA**

New Mexico State Statutes Section 6 - 6 - 6 states that all approved budgets shall bind all officials and governing authorities and no official can pay claims in excess of the approved budget.

**EFFECT**

The Association is not in compliance with DFA - LGD approved budget.

**CAUSE**

As the funds are disbursed directly from DFA to the vendor, the funds are not deposited or disbursed from the Association's own bank accounts. If they had been, the Association's independent CPA may have discovered the unrecorded revenue during the bank reconciliation process.

**AUDITOR'S RECOMMENDATION**

The Association should ensure that all revenue and expense is recorded as cash is received or paid out, which may be accomplished by communicating major revenue sources such as grant agreements with their independent CPA.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** The Association will ensure in the future all revenues and expenses are recorded.

**Responsible Party:** Board and Association Office Manager

**Timeline of Corrective Action:** By the end of year 2019

**STATE OF NEW MEXICO  
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
YEAR ENDED DECEMBER 31, 2018**

The contents of this report were discussed on May 31, 2019 and updated on March 11, 2020. The following individuals were in attendance:

**May 31, 2019**

**Polvadera Mutual Domestic Water Consumers Association**

Robert Jaramillo, Board President  
Theresa Chavez, Office Manager

**Jaramillo Accounting Group LLC (JAG)**

Audrey J. Jaramillo, CPA, CFE, Managing Partner

**March 11, 2020**

**Polvadera Mutual Domestic Water Consumers Association**

Bill Chavez, Board President  
Theresa Chavez, Office Manager

**Jaramillo Accounting Group LLC (JAG)**

Scott Eliason, CPA, Partner  
Justin Mehnert, Senior Auditor