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Rowe Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended June 30, 2014

**Rowe Mutual Domestic Water Consumers Association
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Fiscal Year Ended June 30, 2014**

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**Rowe Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending June 30, 2014**

Board of Directors

Abran Tapia, President

Richard Pacheco, Vice President

Susie Varela, Secretary/Treasurer

Administrative Staff

None

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Abran Tapia, President
Rowe Mutual Domestic Water Consumers Association
and
Tim Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Rowe Mutual Domestic Water Consumers Association (Association) for the year ended June 30, 2014, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (4) 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.

The cash disbursements for the capital award projects 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).

For Grant Agreement #1, a bidding process was not required since the Association only purchased several water meters. For Grant Agreement # 2, the Association issued a request for proposals, obtained and reviewed the proposals and entered into a contract with Souder, Miller & Associates to design the engineering plans for the water system improvement project in accordance with its procurement policies and applicable state laws and regulations. See Agreement #2 on p. 5. See the Schedule of Capital Outlay Awards on p. 6.

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

The water meters purchased for Project #12-1629-GF were observed in a storage unit but had not been installed as of February 18, 2016. For Grant Agreement #2, there was nothing to observe since no design and engineering plans were completed or paid for during the fiscal year ending June 30, 2014.

- 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 the required disbursement request form to the New Mexico Environment Department (NMED). The amount in the status report agreed with the general ledger and the 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 and supporting documentation to the NMED to obtain the funding.

- 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.

The funding for Project #12-1629 was fully expended on water meters for the water system improvement project and the repair of a water line leak. The funding for Project #13-1492 (design and engineering) was not expended and had a remaining balance of \$50,000 as of June 30, 2014. No reversions were required. See the Schedule of Capital Outlay Awards on p. 7.

- 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 funds received from the NMED were deposited in the Association's checking account at the Southwest Capital Bank. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

- 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 #12-1629, the Association filed two disbursement request forms with the NMED for project expenditures (leak repair and water meters) totaling \$4,581.45. The reimbursement requests were supported by invoices and costs incurred by the Association. The project costs were not paid by the Association prior to the request for reimbursement because the Association did not have the necessary funds. The Association paid for the project costs after the checks were received from NMED. For Project #13-1492, the Association did not file any disbursement request forms during the fiscal year ending June 30, 2014.

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. 7.

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.

No indications of fraud, illegal acts, or internal control deficiencies were noted during the performance of the agreed-upon procedures. However, an instance of non-compliance with the State Audit Rule was discovered during the performance of the agreed-upon procedures. See Finding 2014-1 on p. 5-6.

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
February 18, 2016

**Rowe Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2014**

Status of Prior Year Findings

Not applicable.

Current Year Findings

Finding 2014-1. Late Procurement of Tier 3 Agreed-Upon Procedures

Condition

During the review of the Association's records for Project #12-1629-GF, it was noted that the Association expended the capital outlay award of \$4,581.45 during the fiscal year ending June 30, 2014. However, the Association did not hire a CPA firm to perform the Tier 3 agreed-upon procedures for fiscal year 2014 until January 2016.

Criteria

State Audit Rule, Section 2.2.2.16.B (3) NMAC states: "If a local public body's annual revenue is less than \$50,000, and the local public body expended at least 50% of, or the remainder of, a single capital outlay award, then the local public body shall procure the services of an IPA for the performance of a Tier 3 Agreed Upon Procedures engagement in accordance with the Tier 3 Agreed Upon Procedures checklist on the State Auditor's website."

Effect

Noncompliance with Section 2.2.2.16 NMAC could delay or negate future capital outlay funding from the State of New Mexico.

Cause

The Association misunderstood the requirements of Section 2.2.2.16.B (3) NMAC.

Recommendation

The Board of Directors should read Section 2.2.2.16 NMAC of the State Audit Rule 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 to determine what agreed-upon procedures or audits are required for the fiscal year.

**Rowe Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2014**

If agreed-upon procedures are not required for a fiscal year, the Association should complete the Certification Form for Tier 1 and Tier 2 entities and submit it to the State Auditor's Office and the Department of Finance and Administration, Local Government Division as required by Section 2.2.2.16 C NMAC (Exemption from Financial Reporting).

If agreed-upon procedures or an audit are required for a fiscal year, the Association should take the necessary steps to ensure that the IPA recommendation form and contract are submitted to the State Auditor's Office by July 1 as required by Section 2.2.2.16.D (6) NMAC.

Management's Response

The Rowe MDWCA misunderstood the requirements of Section 2.2.2.16.B (3) NMAC regarding our final expenditure of \$4,581.45 from SAP 12-1629-GF. SAP 12-1629 was a reauthorization of SAP 08-3913-GF. To prevent this from occurring in the future, the Rowe Board of Directors has read Section 2.2.2.16 NMAC of the State Audit Rule. We now understand the specific requirements and due date for agreed-upon procedures.

**Rowe Mutual Domestic Water Consumers Association
Schedule of Capital Outlay Awards
For the Fiscal Year Ending June 30, 2014**

	1	2
Amount Awarded for Project	\$ 4,581.45	\$ 50,000.00
Amount Received and Expended by Rowe MDWCA	(4,581.45)	-
Remaining Balance	\$ -	\$ 50,000.00

Agreement Provisions

**1 - Grant Agreement Between the New Mexico Environment Department and the
Rowe Mutual Domestic Water Consumers Association
Fund 93100 Capital Appropriation Project #12-1629-GF**

Legislative Authority: NM Laws of 2012, Chapter 63, Section 76

Date of Agreement: August 18, 2012

Project Description: To plan, design, construct and install water system improvements for the
Rowe Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$4,581.45

State Grant Amount: \$4,581.45

Agreement termination/reversion date: June 30, 2014

**2 - Grant Agreement Between the New Mexico Environment Department and the
Rowe Mutual Domestic Water Consumers Association
Fund 89200 Capital Appropriation Project #13-1492-STB**

Legislative Authority: NM Laws of 2013, Chapter 226, Section 23, Paragraph 62

Date of Agreement: January 14, 2014

Project Description: To plan water system improvements for the Rowe Mutual Domestic Water
Consumers Association in San Miguel County.

Estimated Project Cost: \$50,000

State Grant Amount: \$50,000

Agreement termination/reversion date: June 30, 2017

**Rowe Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended June 30, 2014**

On February 18, 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:

Rowe Mutual Domestic Water Consumers Association

Richard Pacheco, Vice President
Ramon Lucero, Project Manager

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager