

Accounting & Auditing Services, LLC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

Rowe Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2010

**Rowe Mutual Domestic Water Consumers Association
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Fiscal Year Ended December 31, 2010**

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**Rowe Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2010**

Board of Directors

Abran Tapia, President

Susie Varela, Secretary/Treasurer

Administrative Staff

None

Accounting & Auditing Services, LLC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Abran Tapia, President
Rowe Mutual Domestic Water Consumers Association
and
Honorable Hector H. Balderas
New Mexico State Auditor

I have performed the procedures enumerated below for the Rowe Mutual Domestic Water Consumers Association (Association) for the fiscal year ended December 31, 2010, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (3) 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.

All of 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. All of the expenditures and payments to contractors and vendors were made by Souder, Miller & Associates, who was hired as the project manager for the Association.

- 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 project manager'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 the work done on the construction of a 30,000 gallon water storage tank and pump house facility, the project manager advertised, obtained 11 bids, and entered into a contract and purchase agreement in accordance with its procurement policies and applicable state laws and regulations.

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

The project work was physically observed during a tour of the water storage tank and pump house facility at the Rowe Mutual Domestic Water Consumer Association on December 3, 2013.

- 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 project manager submitted the required budgets, status reports and reimbursement forms for the projects to the New Mexico Environment Department (NMED).

- 2. 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 project manager submitted disbursement reimbursement forms to the NMED upon completion of work on the project. See the results of procedure #5.

- 3. 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 \$40,000 appropriation for Project #SAP 06-1210-GF (water storage tank, pump house and waterline) had an unexpended balance of \$12,525.56 which was reverted to the State General Fund per state law and the grant agreement. The \$30,000 appropriation for Project #08-3913-GF (water storage tank, pump house and waterline) had an unexpended balance

of \$4,581.45 which was reauthorized and appropriated to the Association for water system improvements through June 30, 2014 (Laws of 2012, Chapter 63, Section 46).

4. 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 checks received from the State for the projects were made out to the project manager and the Association which were deposited in their respective bank accounts. The capital outlay award agreements did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

5. 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 all the projects, the Association and the project manager filed Disbursement Request Forms and supporting documentation with the NMED. The requests were supported by partial payment estimates and invoices submitted to the project manager for work done on the project. The costs were not paid by the Association and the project manager prior to the request for reimbursement because the project manager did not have the necessary funds. The Association and the project manager paid for the project expenditures after the checks were received from the NMED. A finding was not considered necessary since the Association complied with the NMED's reimbursement procedures.

6. 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.

See Finding 2010-1 on p. 6 of this report.

7. The 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. 5 of this report.

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 of the Association, the New Mexico State Auditor, the New Mexico Environment Department, the New Mexico Department of Finance and Administration – Local Government Division, and the NM State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

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Santa Fe, New Mexico

December 3, 2013

**Rowe Mutual Domestic Water Consumers Association
Schedule of Capital Outlay Awards
For the Fiscal Year Ending December 31, 2010**

	1	2
Amount Awarded to Association	\$ 40,000.00	\$ 30,000.00
Amount Received and Expended by Association	(27,474.44)	(25,418.55)
Remaining Balance	\$ 12,525.56	\$ 4,581.45

Agreement Provisions

**1 - Water System Improvements Grant Agreement with the New Mexico Environment Department
Special Appropriation Project # SAP 06-1210-GF**

Legislative Authority: NM Laws of 2006, Chapter 111, Section 45, Subsection 138
Amount Appropriated to Rowe MDWCA: \$40,000
Purpose: To plan, design, construct and equip improvements to the Rowe Mutual Domestic Water Consumers Association in San Miguel County.
Project Description: Construction of water storage tank and pump house, and installation of waterline.
Date of Agreement with NM Environment Department: 7/18/06
Agreement termination/reversion date: 6/30/10
The remaining balance of \$12,525.56 was reverted to the State General Fund.

**2 - Water System Improvements Grant Agreement with the New Mexico Environment Department
Special Appropriation Project # SAP 08-3913-GF**

Legislative Authority: NM Laws of 2008, Chapter 92, Section 48, Subsection 101
Amount Appropriated to Rowe MDWCA: \$30,000
Purpose: To plan, design, construct and install water system improvements for the Rowe Mutual Domestic Water Consumers Association in San Miguel County.
Project Description: Construction of water storage tank and pump house, and installation of waterline.
Date of Agreement with NM Environment Department: 11/13/08
Agreement termination/reversion date: 6/30/12
The remaining balance of \$4,581.45 was reauthorized and appropriated to the Rowe MDWCA for water system improvements through June 30, 2014 (Laws of 2012, Chapter 63, Section 46).

**Rowe Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

Status of Prior Year Findings

Not applicable.

Current Year Findings

Finding 2010-1. Late Submission of Firm Recommendation Form and Contract, and Late Agreed-Upon Procedures Report

Condition

For the fiscal year ending December 31, 2010, the Rowe Mutual Domestic Water Consumers Association (MDWCA) did not submit the Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until September 2013.

Also, the agreed-upon procedures report for the fiscal year ending December 31, 2010 was not submitted to the OSA by the due date of June 1, 2011.

Criteria

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, the MDWCA should “submit the completed Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures contract to the State Auditor on or before July 1, 2010.”

According to State Audit Rule, Section 2.2.2.16 (H) NMAC, “Local public bodies with a fiscal year-end other than June 30 must submit the agreed-upon procedures report no later than 5 months after the fiscal year-end.”

Effect

Since the recommendation form and contract were submitted late, the agreed-upon procedures report was not be submitted to the State Auditor by the required due date.

If the report is late, users of the report are not receiving timely information about the results of the agreed-upon procedures.

Cause

According to State Audit Rule, Section 2.2.2.16.B NMAC, “Annually, the State Auditor shall provide local public bodies written authorization to proceed with obtaining services to

**Rowe Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2010**

conduct a financial audit or other procedures.” The President of the MDWCA stated that the MDWCA never received the written authorization to proceed from the State Auditor.

The MDWCA was unaware of the State Auditor’s contracting requirements for agreed-upon procedures, and therefore, did not comply with the requirements.

Recommendation

The officers of the MDWCA 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 MDWCA 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. When required, the MDWCA should take the necessary steps to ensure that future IPA recommendation forms and contracts are submitted to the State Auditor by July 1, and the report by the following June 1.

Management’s Response

The Rowe MDWCA will take the necessary steps to ensure that future IPA recommendation forms and contracts are submitted to the State Auditor by July 1, and the report by the following June 1.

**Rowe Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2010**

On December 3, 2013, 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

Abran Tapia, President
Ramon Lucero Jr., President, El Valle Water Alliance

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager