



# **SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS AND MUTUAL SEWAGE WORKS**

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**AGREED UPON PROCEDURES - TIER 4**

**DECEMBER 31, 2016**

**MORTON**  
ACCOUNTING, LLC

certified public accountants | consultants

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4  
TABLE OF CONTENTS**

Official Roster.....	1
Independent Accountant's Report on Applying Agreed Upon Procedures - Tier 4.....	2
Schedule of Findings and Responses.....	8
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP Cash Basis).....	15
Copy of Year-End Financial Report Submitted to DFA-LGD.....	16
Exit Conference.....	17

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4  
OFFICIAL ROSTER AS OF DECEMBER 31, 2016**

<b>Board of Directors:</b>	<b>December 31, 2016</b>	<b>December 31, 2018</b>
President	Hilario Aragon	Connie Gutierrez
Vice-President	Vacant	Dolores Cleto
Secretary/Treasurer	Elaine Montano	Vacant
Member	Carmen Pacheco	Carmen Pacheco
Member	Celia Marquez	Vacant
Member	Ufrendo Jaramillo	Vacant
Member	Vacant	Andrea Gonzales

**Administrative Staff:**

Office Manager	Elma Ramirez	Agnes Valencia
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www.mortonaccounting.com  
1512 Pacheco Street  
Suite D-204  
Santa Fe, NM 87505  
505.303.3557 (o)

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

Mr. Brian Colon, New Mexico State Auditor  
and Connie Gutierrez, President  
Sangre de Cristo Regional Mutual Domestic Water Consumers & Mutual Sewage Works

We have performed the procedures enumerated below, which were agreed to by the Sangre de Cristo Regional Mutual Domestic Water Consumers & Mutual Sewage Works (Association) and the New Mexico State Auditor (specified parties), solely to assist you in determining compliance with provisions of the Audit Act for Tier 4 entity per Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978 as of and for the year ended December 31, 2016. The Association's management is responsible for maintaining its accounting records and the subject matter. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

**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".**

The Association's revenue calculation and tier determination could not be documented on the form provided at [www.osanm.org](http://www.osanm.org) under the "Tier System Reporting Main Page" as no general ledger information was available. Based on conversations with Office Manager, and viewing the 2015 Agreed Upon Procedures Report, as well as the subsequent 2017 and 2018 general ledger information, it appears that the Association would fall under the Tier 4 reporting procedures and no capital outlay appropriations were noted.

See Finding 2010-003.

## 2. 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 could not locate or provide monthly bank reconciliations for Fiscal Year 2016. Test work could not be performed.

See Finding 2010-002.

- 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 (DFA-LGD).**

The Association could not locate or provide monthly bank reconciliations for Fiscal Year 2016. Test work could not be performed.

See Findings 2010-001 and 2010-002.

- c. **Determine whether the local public body's financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.**

The Association could not locate or provide monthly bank reconciliations for Fiscal Year 2016. Test work could not be performed.

See Finding 2010-002.

## 3. Capital Assets

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

Obtained and viewed the capital asset inventory for fiscal year ending December 31, 2016.

## 4. Revenue

- Identify the nature and amount of revenue from all 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.**

Neither a budget, nor general ledger information could be provided for fiscal year 2016. Therefore, we could not perform an analytical review; nor could we test actual revenue compared to budgeted revenue for the year, for each type of revenue.

See Findings 2010-001 and 2010-003.

**Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:**

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

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Findings 2010-002 and 2010-003.

**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.**

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Finding 2010-003.

## **5. Expenditures**

**Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:**

**a. Determine that the 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.**

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Finding 2010-003.

**b. Determine that the disbursements were properly authorized and approved in**

**compliance with the budget, legal requirements and established policies and procedures.**

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Finding 2010-001 and 2010-003.

- 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).**

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Finding 2010-003.

**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.**

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Finding 2010-003.

- 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.**

General ledger information could not be provided for fiscal year 2016. Therefore, we could not select a sample to perform test work.

See Finding 2010-003.

**7. Budget**

**Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal 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.**

The Association could not provide minutes for fiscal year 2016, therefore, we could not determine if a budget was prepared and approved by the local public body's governing body and DFA-LGD.

See Finding 2010-001.

- b. **Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.**

Neither a budget, nor general ledger information could be provided for fiscal year 2016. Therefore, we could not determine whether total actual expenditures exceeded the final budget at the legal level of budgetary control.

See Finding 2010-001.

- 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.**

Neither a budget, nor general ledger information could be provided for fiscal year 2016. Therefore, we could not prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body.

See Finding 2010-001.

## **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 all required content per Section 2.2.2.10(L)NMAC.**

See Findings 2010-004 and 2016-001.

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 review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier 4 agreed upon procedures. 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.

This report is intended solely for the information and use of the Sangre de Cristo Regional Mutual Domestic Water Consumers & Mutual Sewage Works , the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Morton Accounting Services, LLC*

MORTON ACCOUNTING SERVICES, LLC

Santa Fe, New Mexico

March 21, 2019

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Status of Prior Year Findings:**

Finding 2010-001. Non-compliance with Budget Laws and Regulations - Repeated and Modified.

Finding 2010-002. No Bank Account Reconciliations - Repeated and Modified.

Finding 2010-003. Lack of a General Ledger — Repeated and Modified.

Finding 2010-004. Missing Expense Records and No Procurement Policy - Repeated and Modified.

**Current Year Findings:**

**2010-001. Non-compliance with Budget Laws and Regulations and Reporting (Material Weakness) - Repeated and Modified**

**Condition:**

The Association could not provide a 2016 annual budget, nor supporting documentation indicating submission to the NM Department of Finance and Administration's Local Government Division (DFA-LGD) for review and approval. Further, the Association could not provide 2016 quarterly financial reports for review, or supporting documentation indicating submission to DFA-LGD. *Management did not make any progress in correcting this finding during fiscal year 2016.*

**Criteria:**

Pursuant to Section 6-6-2.A NMSA 1978, each local public body is required to furnish and file with DFA-LGD, on or before June 1 of each year, a proposed budget for the next fiscal year. Since the Association's fiscal year end is December 31, the Association is required to submit its proposed budget to DFA-LGD by December 1 of each year. Also, each local public body is required to submit quarterly financial reports and budget adjustments to DFA-LGD per Section 6.6.2.F and 6.6.2.G NMSA 1978, respectively. Furthermore, per section 6.6.5 NMSA 1978, upon receipt of any budget approved by DFA-LGD, the local public body shall cause such budget to be made part of the minutes of such body.

**Effect:**

The Association is in noncompliance with budget laws and regulations stated in criteria above. Further, there is a lack of oversight and internal controls related to expenditures of the Association.

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**2010-001. Non-compliance with Budget Laws and Regulations (Material Weakness) - Repeated and Modified, continued**

**Cause:**

The agreed upon procedures for fiscal year 2016 are being performed two years late. The personnel charged with the accounting function for the Association for fiscal year 2016 is no longer with the Association. The new Office Manager did not have access or could not locate any of the accounting documentation required for completion of the agreed upon procedures. It does not appear that the Association had policies or procedures in place to safeguard and maintain the accounting information.

**Recommendation:**

We recommend that the Association develop policies and procedures related to compiling, safeguarding, and backing up accounting and other operational data of the Association. Further, we recommend that the new office manager and Board familiarize themselves with laws and regulations relevant to the Association, as well as accounting best practices.

**Management Response:**

With the goal of compiling, safeguarding, and backing up accounting and other operational data, the Sangre de Cristo Regional Board of Directors and office manager will attend budget workshops with the Department of Finance Administration and the Office of the State Auditor's during fiscal year 2019 to familiarize ourselves with best accounting practices and laws and regulations relevant to the management of our Association.

**2010-002. No Bank Account Reconciliations (Material Weakness) - Repeated and Modified**

**Condition:**

The Association could not locate or provide monthly bank reconciliations for Fiscal Year 2016. Further bank statements were not provided to determine if bank balances were subject to collateralization requirements per Section 6-10-17 NMSA 1978, NM Public Money Act. *A13*

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**2010-002. No Bank Account Reconciliations (Material Weakness) - Repeated and Modified, continued**

**Criteria:**

It is a prudent business practice to perform monthly bank account reconciliations to verify that all monetary transactions are accurately recorded and accounted for. Bank balances in excess of \$250,000 are subject to collateralization requirements per Section 6-10-17 NMSA 1978, NM Public Money Act.

**Effect:**

There is a lack of oversight and internal controls related to cash receipts, disbursements and balances of the Association. Without monthly bank account reconciliations, errors or irregularities could have gone undetected. Further, compliance with collateralization requirements cannot be determined.

**Cause:**

The agreed upon procedures for fiscal year 2016 are being performed two years late. The personnel charged with the accounting function for the Association for fiscal year 2016 is no longer with the Association. The new Office Manager did not have access or could not locate any of the accounting documentation required for completion of the agreed upon procedures. It does not appear that the Association had policies or procedures in place to safeguard and maintain the accounting information.

**Recommendation:**

We recommend that the Association develop policies and procedures related to compiling, safeguarding, and backing up accounting and other operational data of the Association. Further, we recommend that the new office manager and Board familiarize themselves with laws and regulations relevant to the Association, as well as accounting best practices. Further, we recommend that monthly bank reconciliations be performed shortly after bank statements are received. This function should be performed by the Office Manager and then reviewed by the Board Treasurer.

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**2010-002. No Bank Account Reconciliations (Material Weakness) - Repeated and Modified, continued**

**Management Response:**

With the goal of compiling, safeguarding, and backing up accounting and other operational data, the Sangre de Cristo Regional Board of Directors and office manager will immediately begin to attend budget workshops with the Department of Finance Administration and the Office of the State Auditor's to familiarize ourselves with best accounting practices and laws and regulations relevant to the management of our Association. In addition, beginning immediately, upon receiving bank statement, the Office Manager will perform monthly bank reconciliations and present the bank reconciliation to the Board and Treasurer for their approval.

**2010-003. Lack of a General Ledger (Material Weakness) - Repeated and Modified.**

**Condition:**

The Association did not maintain a general ledger that recorded its financial transactions, or it could not be located, for fiscal year 2016. Further, the Association could not provide bank statements to compile the activity for the fiscal year. *Management did not make any progress in correcting this finding during fiscal year 2016.* As a result, the following agreed upon procedures (enumerated in Independent Accountant's Report on Applying Agreed Upon Procedures - Tier 4) could not be performed:

- 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 Page."
- 4 Revenue, items a-c
- 5 Expenditures, items a-c
- 6 Journal Entries, items a-b

**Criteria:**

It is a prudent business practice to maintain a general ledger to record and account for every financial transaction of the Association.

**Effect:**

There is no original record documenting the financial transactions and account balances of the Association for fiscal year 2016.

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**2010-003. Lack of a General Ledger (Material Weakness) - Repeated and Modified, continued**

**Cause:**

The agreed upon procedures for fiscal year 2016 are being performed two years late. The personnel charged with the accounting function for the Association for fiscal year 2016 is no longer with the Association. The new Office Manager did not have access or could not locate any of the accounting documentation required for completion of the agreed upon procedures. It does not appear that the Association had policies or procedures in place to safeguard and maintain the accounting information.

**Recommendation:**

The Association should utilize an accounting software package and accurately record and account for all of its financial transactions in the general ledger including:

- Cash Receipts and Disbursements
- Revenues and Accounts Receivable
- Expenditures and Accounts Payable
- Debt
- Capital Assets

The Association should hire an experienced bookkeeper to perform these duties.

**Management's Response:**

The Sangre de Cristo Regional currently utilizes QuickBooks for its accounting software. Our Office Manager is currently recording and accounting for all of its financial transactions in the general ledger including:

- Cash Receipts and Disbursements
- Revenues and Accounts Receivable
- Expenditures and Accounts Payable
- Debt
- Capital Assets

Due to the timing of the 2010-2015 Tier 4 Agreed Upon Procedures engagements, we were able to work towards resolution and expect this finding to be resolved during FY 2017.

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding 2010-004. No Policies or Procedures Documented (Material Weakness) - Repeated and Modified**

**Condition:**

The Association does not have written policies and procedures over significant processes such as Receipts, Disbursements, and Procurement. *Management did not make any progress in correcting this finding during fiscal year 2016.*

**Criteria:**

It is a prudent business practice to establish a overall accounting policies and procedures in order to properly account for and safeguard Association assets.

**Effect:**

There is an overall lack of internal controls over significant transaction classes:

- Cash Receipts and Disbursements
- Revenues and Accounts Receivable
- Expenditures and Accounts Payable
- Debt
- Capital Assets

**Cause:**

The Board of Directors neglected to establish written accounting policies and procedures.

**Recommendation:**

The Board of Directors of the Association should establish and implement written accounting policies and procedures for the significant transaction classes noted above, and to ensure compliance with NM State Procurement Code and Purchasing Regulations.

**Management's Response:**

The Sangre de Cristo Regional Board of Directors will establish and implement written accounting policies and procedures for all financial transactions to ensure compliance with NM State Procurement Code and Purchasing Regulations. The process will begin during Fiscal Year 2019, immediately upon completion of this agreed upon procedures engagement.

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding 2016-001. Late Agreed Upon Procedures Submission**

**Condition:**

The Association is in non-compliance with New Mexico Office of the State Auditor report submission requirements regarding timely submission of report.

**Criteria:**

Per Section 2.2.2.9.A (i) agencies with a fiscal year-end other than June 30 shall submit the audit report no later than five months after year end. The fiscal year 2016 agreed upon procedures report was due May 31, 2017.

**Effect:**

Report was not timely submitted. Further, any findings for fiscal year 2016 could not be addressed in a timely fashion.

**Cause:**

Staff turnover.

**Recommendation:**

We recommend that the Association begin the contract process for procuring the appropriate Agreed Upon Procedures Tiered services early enough to submit by the regulatory due date of May 31.

**Management Response:**

The Sangre de Cristo Regional Board of Directors will direct the Office Manager to begin the procurement process to hire an Independent Public Accountant beginning in November of every year with the goal of obtaining approval from the State Auditor's Office for the Agreed Upon Procedures by May 31 of every year.



**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP CASH BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original * <u>Budget</u>	* <u>Final Budget</u>	* <u>Actual</u>	Variance Favorable * <u>(Unfavorable)</u>
Revenues:				
Water Sales				
Other				
Total Revenues				
Expenses:				
Salaries and Benefits				
Mileage - Dam Tender				
Office Utilities				
Office Supplies				
Insurance				
Audit				
Operations & Maintenance				
Association Utilities				
Storage				
NM One Call				
NM Gross Receipts Taxes				
Conservation Fees				
Advertisement				
Contractual Services				
Legal Fees				
Technical Support				
Capital Projects				
Loan Payments				
Total Expenses				

\* Data not available.

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**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
COPY OF YEAR END FINANCIAL REPORT SUBMITTED TO DFA-LGD  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Not available.

**SANGRE DE CRISTO REGIONAL MUTUAL DOMESTIC WATER CONSUMERS  
AND MUTUAL SEWAGE WORKS  
EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

On March 21, 2019 an exit conference was held with the following individuals to discuss the results of the agreed-upon procedures and contents of this report.

**Sangre de Cristo Regional Mutual Domestic Water Consumers & Mutual Sewage Works:**

Connie Gutierrez	President (Current - FY18)
Agnes Valencia	Office Manager (Current - FY18)

**Morton Accounting Services, LLC:**

Janet Pacheco-Morton, CPA, CGFM	Managing Principal
Kim Keahbone, CPA	Senior Accountant