



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
TIERRA AMARILLA, NEW MEXICO

STATE OF NEW MEXICO

**TALPA MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures – Tier 4

Year Ended June 30, 2016

STATE OF NEW MEXICO

TALPA MUTUTAL DOMESTIC WATER CONSUMERS ASSOCIATION

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

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

**Official Roster
at June 30, 2016**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Martin Dimas	President
Delfino Torrez	Vice-President
Amy Griego Mechem	Secretary
Patricia M. Vigil	Treasurer
Orlando H. Trujillo	Member



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

P. O. Box 712
Tierra Amarilla, New Mexico 87575
Phone/Fax 575.588.0607

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 4)

To: Delfino Torrez, President
Talpa Mutual Domestic Water Consumers Association #3402
and
Brian S. Colón, Esq.
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Talpa Mutual Domestic Water Consumers Association (Talpa MDWCA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other for the year ended June 30, **2016**, included in the accompanying information provided to us by management of the Talpa MDWCA. The Talpa MDWCA is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended June 30, **2016**, included in the accompanying information provided to us by management of the Talpa MDWCA. The sufficiency of these procedures is solely the responsibility of those 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 the 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 under "Tiered System Reporting Main Page."

We verified Talpa MDWCA's revenue calculation and tier determination. Talpa Mutual Domestic Water Consumers Association's cash basis revenue was between the **Tier 4** lower and upper limits and no capital outlay appropriation was received or expended.

2. Cash

Procedures

- 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.
- 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 the Department of Finance and Administration, Local Government Division (DFA-LGD).
- 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.

Results of Procedures Performed

- a) The Talpa MDWCA uses Excel spreadsheets to record cash transactions, prepare monthly bank reconciliations and monthly financial statements. At year-end, the Talpa MDWCA had one checking account, one reserve account and one certificate of deposit (CD) in one financial institution. Bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year. The bank only provides a statement on the CD semi-annually (6 months) when it matures.
- b) We tested 33% of all bank reconciliations that revealed no exceptions. Required quarterly financial cash reports were not submitted to DFA-LGD during the year and at year-end, therefore, we could not trace the ending balances to those reports. See Finding 2011-002 on page 4.
- c) Cumulative bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on uninsured balances at any time during the year.

3. Capital Assets

Procedures

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

Results of Procedures Performed

The Talpa Mutual Domestic Water Consumers Association performed a yearly inventory as required by Section 12-6-10 NMSA, 1978 and maintains a capital asset listing.

4. Revenue

Procedures

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.

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.
- 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.

Results of Procedures Performed

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue (internal use budget, Exhibit A) for the year for each revenue type revealed no exceptions.
- b) We requested supporting documentation for twenty-nine (29) deposits (31% of total revenue) from a total of 150 deposits for the year. Amounts recorded on the Excel worksheets agreed with deposit tickets, other supporting documentation provided and the bank statements, without exception.

- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation, without exception.

5. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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 check clearing amount (cancelled checks not returned), 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures Performed

- a) We requested supporting documentation for 27 disbursements (37% of total expenditures) from a total of 154 disbursements for the year. The amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) The bid process or request for proposal process, purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

6. Journal Entries

Procedures

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.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedures Performed

- a) The Talpa MDWCA utilizes Excel spreadsheets to record cash transactions and does not post journal entries to a general ledger.

7. Budget

Procedures

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.

Results of Procedures Performed

- a) We determined that the Talpa MDWCA prepared and approved a FY 2016 budget, for internal use, but did not submit it to DFA-LGD for approval. See Finding 2011-002 on page 4. There were no subsequent budget adjustments.
- b) Total actual expenses did not exceed the internal use preliminary/final budget at the total fund level, the legal level of budgetary control.
- c) The TMDWCA did not prepare or submit to DFA-LGD a Profit and Loss Budget vs. Actual at quarterly intervals or for the year ended June 30, 2016. See Finding 2011-002 on page 4. However, a schedule of revenues and expenses – budget and actual was prepared from Talpa MDWCA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

8. Other

Procedures

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 (L) NMAC.

Results of Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, or any internal control deficiencies. However, see noncompliance findings for Late Report submission as Finding 2011-001 on page 3 and no Budget Submission/Approval and no Quarterly Financial Reports as Finding 2011-002 on page 4. These two findings are repeat findings from prior-year AUPs and no action could be taken since the AUPs for the years ended June 30, 2011, 2012, 2013, 2014, 2015 and 2016 were performed in the same time frame. The Office of the State Auditor requires that repeated findings retain the same finding number until resolved.

* * * * *

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 Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of the Talpa Mutual Domestic Water Consumers Association for the year ended June 30, **2016**, included in the accompanying information provided to us by management of the Talpa MDWCA. 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 Talpa Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Tierra Amarilla, New Mexico 87575
September 26, 2019

STATE OF NEW MEXICO
TALPA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
Year Ended June 30, 2016

INTERNAL USE ONLY

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Fees	\$ 83,835	\$ 83,835	\$ 78,699	\$ (5,136)
Memberships/Transfers	-	-	-	-
Interest Income	-	-	11	11
	<u>83,835</u>	<u>83,835</u>	<u>78,710</u>	<u>(5,125)</u>
Total revenues	83,835	83,835	78,710	(5,125)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>83,835</u>	<u>83,835</u>	<u>78,710</u>	<u>(5,125)</u>
Expenses:				
RUS Loan	18,852	18,852	18,852	-
Salaries - Treasurer, Operator, Bookkeeper	18,000	18,000	18,000	-
Employee Benefits and Expenses	-	-	-	-
Electricity (Well Houses)	6,400	6,400	6,452	(52)
Supplies/Postage/Mileage/Computer	20,387	20,387	17,737	2,650
System Repairs and Maintenance	6,000	6,000	5,632	368
Attorney	-	-	-	-
Gas Well House	375	375	301	74
Cell Phone	860	860	984	(124)
Insurance	1,800	1,800	1,735	65
Dues/Fees	1,074	1,074	1,504	(430)
Gross Receipts Tax, Water Cons. Fee	5,800	5,800	5,955	(155)
Training	-	-	-	-
Miscellaneous	-	-	-	-
	<u>79,548</u>	<u>79,548</u>	<u>77,152</u>	<u>2,396</u>
Total expenses	79,548	79,548	77,152	2,396
Excess revenues over (under) expenses	<u>\$ 4,287</u>	<u>\$ 4,287</u>	<u>\$ 1,558</u>	<u>\$ (2,729)</u>

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

**Schedule of Findings and Responses
Year Ended June 30, 2016**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Late Report	D	2011-001	2011-001
Budget Submission/Approval and Quarterly Financial Reports	D	2011-002	2011-002
Follow-up on Prior Year Findings:			
Late Report	D	2011-001	2011-001 Repeated
Budget Submission/Approval and Quarterly Financial Reports	D	2011-002	2011-002 Repeated

*** Legend for Findings:**

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

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

**Schedule of Findings and Responses
Year Ended June 30, 2016**

2011-001

Late Report (Noncompliance)

Criteria

Office of the State Auditor, Rule 2016, Section 2.2.2.16.H, requires that local public bodies with a June 30 fiscal year end must submit the agreed-upon procedures report no later than five months after the fiscal year end or by December 15 of that year.

Condition

Talpa Mutual Domestic Water Consumers Association agreed-upon procedures report for the year ended June 30, 2016 was submitted more than five months after the fiscal year end. This finding is a repeat finding from the prior-year AUP and no action could be taken since the AUPs for the years ended June 30, 2011, 2012, 2013, 2014, 2015 and 2016 were performed at the same time. The Office of the State Auditor requires that repeated findings retain the same finding number until resolved.

Cause

Talpa Mutual Domestic Water Consumers Association did not submit a recommendation or contract for State Auditor approval until August 2019 and, therefore, could not meet the reporting deadline.

Effect

Talpa Mutual Domestic Water Consumers Association has not complied with Office of the State Auditor, Rule 2016, Section 2.2.2.16.H.

Recommendation

We recommend that Talpa Mutual Domestic Water Consumers Association submit all future agreed-upon procedures reports by the required deadline.

Entity Response

“Once the Talpa Mutual Domestic Water Consumers Association is current with the agreed-upon procedures reporting requirements, the President and Treasurer of the Talpa Mutual Domestic Water Consumers Association will immediately take appropriate steps to ensure that all future agreed-upon procedure reports will be submitted no later than the due date set by the State Auditor.”

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

**Schedule of Findings and Responses
Year Ended June 30, 2016**

2011-002

Budget Submission/Approval and Quarterly Financial Reports (Noncompliance)

Criteria

Section 6-6-2 (A) NMSA, 1978 requires each local public body to furnish and file with the DFA-LGD, on or before June 1, of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by the DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

Condition

The Talpa Mutual Domestic Water Consumers Association (TMDWCA) approved internally but did not submit the 2016 budget for DFA-LGD approval. Also, the TMDWCA did not submit required quarterly financial reports to the DFA-LGD at any time during the year or at year-end. This finding is a repeat finding from the prior-year AUP and no action could be taken since the AUPs for the years ended June 30, 2011, 2012, 2013, 2014, 2015 and 2016 were performed at the same time. The Office of the State Auditor requires that repeated findings retain the same finding number until resolved.

Cause

The TMDWCA was not aware of the requirement to submit their annual budget or quarterly financial reports to the DFA-LGD,

Effect

The TMDWCA has not complied with Sections 6-6-2 and 6-6-3 NMSA 1978.

Recommendation

We recommend that the TMDWCA submit their proposed budget to DFA-LGD for approval, on or before June 1 of each year and that upon receipt of the approved budget cause such budget to be made a part of the minutes. We further recommend that the TMDWCA submit year-to-date quarterly financial reports, as required, to DFA-LGD.

Entity Response

“Once the Talpa Mutual Domestic Water Consumers Association is current with the agreed-upon procedures reporting requirements, the President and Treasurer of the Talpa Mutual Domestic Water Consumers Association will immediately take appropriate steps to ensure that all future annual Budgets and Quarterly Financial Reports will be submitted in a timely manner to the Department of Finance and Administration, Local Government Division.”

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

**Exit Conference
Year Ended June 30, 2016**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held on September 27, 2019, with the following:

Talpa Mutual Domestic Water Consumers Association

By telephone:

Delfino Torrez, President
Patricia Vigil, Treasurer

Accounting Firm

James R. (Jim) Macias, CPA