

OFFICE OF THE STATE AUDITOR

Timothy M Keller



Trampas Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Year Ended December 31, 2014

**Trampas Mutual Domestic Water Consumers Association
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Fiscal Year Ended December 31, 2014**

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**Trampas Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2014**

Board of Commissioners

Alex Lopez, President

Clarence Vigil, Vice-President

Minnie Lopez, Secretary

Josephine Lopez, Treasurer

Emilio Martinez, Member At-Large

Administrative Staff

None



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

Independent Accountant's Report on Applying Agreed-Upon Procedures

Alex Lopez, President
and Members of the Board of Commissioners
Trampas Mutual Domestic Water Consumers Association
P.O. Box 157
Chamisal, New Mexico 87521

We have performed the procedures enumerated below for the Trampas Mutual Domestic Water Consumers Association (MDWCA) for the year ended December 31, 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 (3) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the MDWCA through the New Mexico Office of the State Auditor. The MDWCA'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 to the supporting documentation. The amount, payee, date and description of the purchases agreed with the vendor's invoice, contract and canceled check.

- b. Determine that cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

All cash disbursements were properly authorized and approved in accordance with the project budget, legal requirements and the MDWCA'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 fencing project, the MDWCA obtained quotes as required, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations with the exception discussed in Finding 2014-001 on page 7.

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

The fencing and repair work was physically observed during a tour of the Trampas MDWCA on March 17, 2015.

- 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.

Status reports were submitted electronically within the terms of the capital outlay agreement with the New Mexico Environment Department (NMED). In addition, the amounts on the status reports agreed with the general ledger and other supporting documentation.

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 projects were not funded in advance. The MDWCA was required to submit reimbursement forms to the NMED upon completion of work on the project. The MDWCA paid for the project expenditures after the MDWCA received checks from the NMED in accordance with the terms of the capital outlay agreement.

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.

As shown in Exhibit 1 on page 6, the MDWCA expended a total of \$26,085. For this appropriation, the cash amounts received equaled the amount of expenditures. Therefore, the MDWCA had no unexpended cash balance to revert.

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 NMED were deposited in a checking account with Peoples Bank in the MDWCA's name. This bank account was separate from the MDWCA's operating accounts and was in accordance with the terms of the capital outlay agreement.

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.

The MDWCA filed Notice of Obligation to Reimburse Grantee Forms with the NMED based on unpaid invoices submitted to the MDWCA by the vendor who had performed work on the MDWCA's project. The costs were not paid by the MDWCA prior to filing the Notice of Obligation to Reimburse Grantee because the MDWCA did not have the necessary funds. The MDWCA paid for the project expenditures after the checks were received from the NMED. A finding was not considered necessary since the MDWCA complied with the NMED's reimbursement procedures requirements.

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.

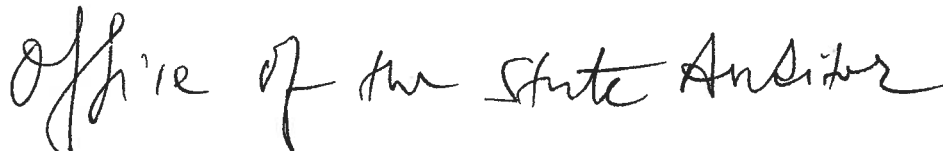
No information came to the IPA's attention indicating fraud, illegal acts, noncompliance, or any internal control deficiencies.

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 Exhibit 1 — Schedule of Capital Outlay Awards to MDWCA on page 6 of this report.

We were not engaged to and did not conduct an examination, 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 MDWCA, the NM Office of the State Auditor, the NM Environment Department, the NM 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.



Office of the State Auditor
March 17, 2015

**Trampas Mutual Domestic Water Consumers Association
Exhibit 1 – Schedule of Capital Outlay Awards to MDWCA
December 31, 2014**

Note 1

Amount Awarded for Project	\$40,000
Amount Received by MDWCA	26,085
Amount Expended by MDWCA	<u>(26,085)</u>
Remaining Balance	<u>\$ -0-</u>

Agreement Provisions

Note 1: Capital Project Agreement between the New Mexico Environment Department (NMED) and Trampas MDWCA.

Legislative Authority: 2013 NM Laws, Chapter 226, Section 23, Paragraph 81

Date of Agreement with NMED: October 21, 2013

Project Description: To construct a fence for Las Trampas mutual domestic water consumers and mutual sewage works association in Taos County.

Agreement termination/reversion date: June 30, 2017

**Trampas Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2014**

Status of Prior Year Findings

Not applicable.

Current Year Findings

2014-001 – Noncompliance with Capital Outlay Agreement

Condition:

The capital outlay agreement stipulated a required termination clause in contracts funded in whole or part by funds made available under the agreement. The project was funded entirely through funds made available under the capital outlay agreement. The termination clause was not included in either of the two contracts with the MDWCA's vendor.

Criteria:

The Capital Outlay Agreement for Fund 89200 Capital Appropriation Project #13-1508-STB, Article XVI specified the "Grantee [MDWCA] acknowledges and agrees that Grantee shall include the following or a termination clause in all contract that are (i) funded in whole or in part by funds made available under this Agreement and (ii) entered into after the effective date of this agreement."

Effect:

In the event of early termination of the agreement the MDWCA and the State of New Mexico would not be protected from an impairment of contract claim against them.

Cause:

The MDWCA was not aware of the language required by the capital outlay agreement with NMED.

Recommendation:

Management should ensure that all contracts funded in whole or in part by funds made available through the capital outlay agreements have the early termination clause in accordance with the capital outlay agreement.

Agency Response:

The Trampas MDWCA was unaware of the required termination clause in contracts. The commissioners of Trampas MDWCA agree with the above recommendation and will ensure that all contracts funded in whole or in part by funds made available under the agreement have the early termination clause in accordance with the capital outlay agreement.

**Trampas Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2014**

On March 17, 2015, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Trampas Mutual Domestic Water Consumers Association

Alex Lopez, President
Josephine Lopez, Treasurer

Office of the State Auditor

U. Chan Kim, CPA, Audit Manager