

STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES REPORT

YEAR ENDED June 30, 2011

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STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION

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STATE OF NEW MEXICO

TRES PIEDRAS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Official Roster

June 30, 2011

Name

Title

Board of Directors

Rick Wyse

President

Cecil Coffman

Vice-President

Duke Cozart

Member

James Howe

Member

William Anderson

Member

Staff

Duke Cozart

Water System
Operator

Mary Wyse

Secretary-Treasurer

JOSEPH M. SALAZAR
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P.O. BOX 1744
Espanola, New Mexico 87532
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES

Rick Wyse, President
Tres Piedras Mutual Domestic Water Consumers Association
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Tres Piedras Mutual Domestic Water Consumers Association (TPMDWCA) for the year ended June 30, 2011. The TPMDWCA was determined to be a Tier 4 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the TPMDWCA through the Office of the New Mexico State Auditor. The Tres Piedras Mutual Domestic Water Consumers Association management is responsible for the organization's accounting records. 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 those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

Our procedures and findings are as follows:

1. 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) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reporting submitted to DFA-Local Government Division.

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

Findings

- a) The TPMDWCA has a checking account, a savings account and a certificate of deposit account and utilizes Sequoyah software to post transactions to its billing system and maintains a Excel spreadsheet to summary its revenue and expenses on a monthly basis. Bank statements were available for the two bank accounts and certificate of deposit. TPMDWCA did not maintain supporting documentation of its accounts being reconciled on a monthly basis.
- b) We were unable perform a random test of bank reconciliations and trace to the financial records. Due to the lack of a monthly cash reconciliation and detail financial records. TPMDWCA does not maintain a detail general ledger. The TPMDWCA only submitted it proposed budget for approval to DFA local government division. No other reports were filed with the DFA local government division. (See finding 2011-1 and 2011-5)
- c) The three accounts had FDIC coverage of \$250,000. Bank accounts never exceeded uninsured limits and, therefore, pledged collateral was not required on any of the bank accounts at any time during the year.

2. Capital Assets

Procedures

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

Findings

The TPMDWCA provided a listing of capital assets beginning in fiscal year 2009. The listing was certified as true and correct.

3. Revenues

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 revenues based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statements.
- c) Proper recording of classification, amounts, 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.

Findings:

- a) We were provided an excel worksheet for the year ended June 30, 2011 showing only five revenue accounts which were billing, interest, credit, unassigned income and transfers. TPMDWCA did prepare a budget for the year than ended June 30, 2011. We performed an analytical review and tested actual revenues compared to budgeted revenues for the year for the five types of revenues. No exceptions were noted.
- b) Amounts recorded in Excel worksheet agreed to the supporting documentation (deposit slips and detail of receipts) and the bank statements. No exceptions noted.
- c) Amounts were recorded on a cash basis to the five revenue accounts on a monthly basis. We tested approximately nine months of deposit slip amount by totaling the amounts per deposit slips to the total posted to the revenue accounts which exceeded 50% of the total revenues. No exceptions noted.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using 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 canceled check, 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 order, 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).

Findings

- a) Our tests of transactions revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agreed with the vendor's invoice. No exceptions noted. TPMDWCA does not use purchase orders or contracts. Unable to determine compliance with the procurement code.
- b) TPMDWCA disbursements were authorized disbursements for the operations of the association and approved in compliance with the budget, legal requirements and established policies and procedures. (See findings 2011-4)
- c) TPMDWCA did not maintain documentation to demonstrate compliance with the bid process (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 purchase regulations.(See finding 2011-2)

5. Journal Entries

Procedures

If non-routine journal entries, such as adjustment or reclassification, are posted to the general ledger, test significant items for the following attribute:

- 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.

Findings

The TPMDWCA uses an excel worksheet to record cash transactions only and did not prepare formal entries for the year ended June 30, 2011.

6. 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 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, actual or modified accrual basis) for each individual fund.

Findings

- a) The TPMDWCA prepared a budget for the year ended June 30, 2011 and submitted it to DFA-LGD. The budget was approved by the Board and DFA-LGD.
- b) Determined that total actual expenditures did not exceed the final budget at the legal level of budgetary control. We determined that total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenses -budget and actual was prepared from TPMDWCA records on a cash budgetary basis. This schedule is included herein as Exhibit A. The TPMDWCA did submit a budget report for approval but no quarterly reports for the year ended June 30, 2011 to DFA-LGD.

Other

Procedures

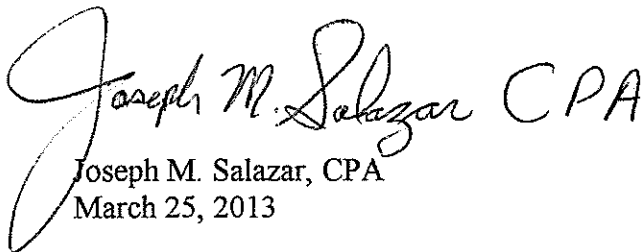
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-(1) (3) (C) NMAC.

Findings

No exceptions or information were noted as a result of applying the procedures described above (regardless of materiality) indicating fraud, illegal acts, or any internal control deficiencies. However, see the Schedule of Findings and Responses related to budget, procurement code compliance and late agreed upon procedures report, cash reconciliation, segregation of duties and financial records.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 Tres Piedras Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the DFA-Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature of Joseph M. Salazar CPA in black ink. The signature is written in a cursive style and includes the letters 'CPA' at the end.

Joseph M. Salazar, CPA
March 25, 2013

STATE OF NEW MEXICO **Exhibit A**
TRES PIEDRAS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE REVENUE AND EXPENSES- BUDGET AND ACTUAL (CASH BASIS)
FOR YEAR ENDED JUNE 30,2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Billing	\$ 46,500	\$ 46,500	\$ 54,445	7,945
Interest	1,500	1,500	751	(749)
Certificate replacement	200	200	-	(200)
New Memberships	4,000	4,000	-	(4,000)
Income- unassigned	200	200	282	82
Transfers	500	500	500	-
Credit	50	50	11,986	11,936
Total revenues	<u>\$ 52,950</u>	<u>\$ 52,950</u>	<u>\$ 67,964</u>	<u>\$ 15,014</u>
Expenses				
Refund	5,000	5,000	-	\$ 5,000
Returned checks	200	200	606	(406)
Bank service charge	20	20	30	(10)
Electric	2,000	2,000	2,171	(171)
Online/internet service	240	240	240	-
Rent	720	720	720	-
Telephone	620	620	618	2
Office equipment	200	200	-	200
Dues	150	150	123	27
Fees	225	225	286	(61)
Insurance	2,000	2,000	1,997	3
Labor-repair &service	4,000	4,000	1,224	2,776
Meter reader contract	3,900	3,900	4,395	(495)
Mileage	300	300	32	268
Office supplies	2,000	2,000	1,912	88
Parts and materials	4,000	4,000	3,626	374
Hotel/motel/meals	250	250	-	250
Postage	650	650	632	18
Sales tax-labor	2,000	2,000	1,151	849
Secretary/ treasurer	10,000	10,000	9,884	116
Services	3,000	3,000	2,617	383
Taxes	2,300	2,300	2,858	(558)
Training	300	300	595	(295)
Back-up water operator	1,000	1,000	332	668
Back-up secretary treasurer	1,500	1,500	104	1,396
Total expenses	<u>\$ 46,575</u>	<u>\$ 46,575</u>	<u>\$ 36,153</u>	<u>10,422</u>
Revenue over (under) expenses	<u>\$ 6,375</u>	<u>\$ 6,375</u>	<u>\$ 31,811</u>	<u>\$ 25,436</u>

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2011**

Current Year Findings

2011-1 Quarterly Financial Reports to DFA-LGD

Criteria

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 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

Tres Piedras Mutual Domestic Water Consumers Association (TPMDWCA) did not prepare or submit required quarterly financial and budget reports to the DFA-LGD at any time during the year or at year end.

Cause

The TPMDWCA was not aware of the DFA-LGD requirements.

Effect

The TPMDWCA has not complied with Section 6-6-3 NMSA 1978.

Recommendation

We recommend that the TPMDWCA submit quarterly financial as required to DFA-LGD.

Entity Response

TPMDWCA has submitted financial reports as required for FY 2011/2012 and to date for FY 2012/2013 and will continue to do so in the future.

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Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2011**

2011-2 Procurement Code Compliance

Criteria

All local public bodies in the State of New Mexico are required to comply with the New Mexico Procurement Code.

Condition

TPMDWCA did not maintain documentation to demonstrate compliance with the bid process (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.

Cause

The TPMDWCA was not aware of the requirements of complying with the procurement code.

Effect

The TPMDWCA did not comply with the procurement code.

Recommendation

We recommend that the TPMDWCA comply with the New Mexico procurement code.

Entity Response

TPMDWCA is now aware of the need to follow the procurement code and will do so in the future.

**STATE OF NEW MEXICO
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ASSOCIATION
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2011**

2011-3 Late Agreed Upon Procedures Report

Criteria

New Mexico State Auditor Rule Section 2.2.2.9 A (g) and the audit contract require that the Association's agreed upon procedures report be submitted to the State Auditor's Office no later than December 1, 2012 deadline.

Condition

The agreed upon procedures report for the fiscal year 2011 was not submitted to the State Auditor's office by the deadline. The report was submitted and received by the State Auditor's Office on March 26, 2013.

Cause

Tres Piedras Mutual Domestic Water Consumers Association was not aware of the requirement.

Effect

The lateness of the agreed upon procedures report creates noncompliance with the State Auditor Rule requirements of completing and submitting the agreed upon procedures report by the due date.

Recommendation

Recommend that the Tres Piedras Mutual Domestic Water Consumers Association comply with the State Auditor Rule requirement of completing and submitting the audit report by the due date.

Entity Response

TPMDWCA will obtain services to submit agreed upon procedures for FY2011/2012 as soon as agreed upon procedures are approved for FY 2010/2011 and will strive to be in compliance by FY 2012/2013.

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ASSOCIATION**

**Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2011**

2011-4 Segregation of Duties on the Approval of all Disbursements and Review of Receipts

Criteria

Good internal control requires the segregation of duties in the recording, approval and reconciliation of receipts and disbursements transactions.

Condition

All TPMDWCA expenditures are prepared, posted, approved and reconciled by the Secretary/Treasurer (employee). The Secretary/ Treasurer has complete control over the receipting and disbursement cycle.

Cause

TPMDWCA is a small association and depends on the Secretary/ Treasurer to perform all accounting functions.

Effect

The lack of review and approval by the Board could create the possibility for errors or irregularity on the financial statements of TPMDWCA.

Recommendation

Recommend that TPMDWCA Board on a monthly basis be presented a list of disbursements and documentation of receipts for the month for review and approval.

Entity Response

The TPMDWCA Board meets on a monthly basis and, beginning with the March 21, 2013 Board meeting, the Board was presented with a list of disbursements and documentation of receipts for the previous month for review and approval. This practice will continue into the future.

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ASSOCIATION
Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2011**

2011-5 Monthly Cash Reconciliations

Criteria

Good internal control requires that cash accounts be reconciled on a monthly basis.

Condition

TPMDWCA did not maintain supporting documentation on a monthly basis of bank reconciliations performed according to the Secretary/Treasurer.

Cause

According to the Secretary/Treasurer monthly cash reconciliations were performed but did not keep documentation of the reconciliations performed.

Effect

The lack of bank reconciliations of the Associations bank accounts could allow for create errors of irregularities that would not be detected on a timely manner on its financial statements.

Recommendation

Recommend that TPMDWCA perform monthly reconciliations of its bank accounts and maintain documentation documenting the reconciliation of its bank accounts to its financial records.

Entity Response

TPMDWCA has always reconciled cash accounts on a monthly basis and has begun documenting reconciliations as of the February 2013 statements.

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION**

**Schedule of Findings and Reponses
YEAR ENDED JUNE 30, 2011**

2011-6 Financial Statements

Criteria

Generally accepted accounting principles requires that an organization maintain financial records that summarize all its financial transaction of the organization.

Condition

TPMDWCA maintains a set of financial records that are separately prepared, such as a listing of fixed assets, however no depreciation expense is recorded on its financial records, account receivable were extracted from the billing system. TPMDWCA does not maintain financial statements that contain all of the organization's transactions on one complete set of books to include all transactions such as a general ledger, balance sheet, statement of activities and statement of cash flow.

Cause

TPMDWCA is a small organization and unaware of the need for a general ledger or records which show fixed assets, depreciation, accounts receivable, etc in one financial statement

Effect

TPMDWCA does not have one complete form of financial statements where all of its financial information is summarized and available to prepare financial statement such as a balance sheet, statement of activities and changes in net assets and statement of cash flow.

Recommendation

Recommend that TPMDWCA purchase accounting software or utilize its present software in the billing system and use the other modules to record all transactions to enable the Association to have a complete set of financial records.

Entity Response

TPMDWCA is currently reviewing the present billing system to determine if it is capable of recording all transactions in order to provide a complete set of financial records. TPMDWCA also has access to a CUPSS accounting software program which may prove more suitable. TPMDWCA will address and solve the summarization of financial records as soon as possible.

STATE OF NEW MEXICO
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ASSOCIATION

Exit Conference

YEAR ENDED JUNE 30, 2011

Exit Conference

The report contents were discussed at an exit conference held March 25, 2013 with the following in attendance:

Tres Piedras Mutual Domestic Water Consumers Association

Rick Wyse, President

Mary Wyse, Secretary/Treasurer

Accounting Firm

Joseph M. Salazar, CPA