



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 3)

Year Ended June 30, 2014

STATE OF NEW MEXICO

**UPPER ARROYO HONDO MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 3)**

Year Ended June 30, 2014

**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION**

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**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION**

**Official Roster
at June 30, 2014**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Fernando Martinez	President
Felix Padilla	Vice-President
Roger Padilla	Treasurer
Pamela Harris	Secretary
Manuel Ortiz	Member



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 3)

To: Fernando Martinez, President
Upper Arroyo Hondo Mutual Domestic Water Consumers Association
and
Honorable Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Upper Arroyo Hondo Mutual Domestic Water Consumers Association (Association) for the year ended June 30, 2014, solely to assist the Association in demonstrating compliance with the provisions of Laws of 2013, Chapter 226, Section 23, Paragraph 85, as set forth in the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. The Association was determined to be a Tier 3 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Upper Arroyo Hondo Mutual Domestic Water Consumers Association through the Office of the New Mexico State Auditor. The Upper Arroyo Hondo 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 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 results of procedures performed follow.

The Contractor shall request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for the capital outlay award funds expended by the recipient that meet Tier 3 criteria.

1. The Contractor shall test all state-funded capital outlay expenditures to:

Procedures

- 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 cancelled 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 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).

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

Results of Procedures Performed

- a) We determined that amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoices, purchase orders, contracts and cancelled check copies, as appropriate.
- b) We determined that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) We determined 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).
- d) We were unable to determine the physical existence by observation of the capital asset based on expenditures to date since this portion of the project was engineering design only.
- e) We verified that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with accounting records and other supporting documentation.

2. Procedures

If the project was funded in advance, the Contractor shall determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

Results of Procedures Performed

The project was not intended to be funded in advance but on a reimbursement basis.

3. Procedures

If the project is complete, the Contractor shall determine if there is unexpended balance and whether it was reverted per statute and agreement with the grantor.

Results of Procedures Performed

The project is not yet complete and there is an unexpended balance of \$17,345.96 in agreement with the grantor.

4. Procedures

The Contractor shall 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 agreement.

Results of Procedures Performed

Since the project was approved on a reimbursement basis, no separate fund or bank account was required.

5. Procedures

The Contractor shall determine whether reimbursement requests were properly supported by costs incurred by the recipient. The Contractor shall determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedures Performed

We determined that reimbursement requests were properly supported and the Association incurred costs prior to the submission of requests for funding from the New Mexico Environment Department. Per the agreement, the Association was allowed to draw funds before actual payment to the contractor.

Other Procedures

If information comes to the Contractor's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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.

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 the accompanying Schedule of Findings and Responses for a noncompliance issue related to submission of this Late Report.

* * * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof, including the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. 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 the Upper Arroyo Hondo Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office, 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 those specified parties.

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

Macias, Gutierrez & Co., CPAs, P. C.
Española, New Mexico
March 17, 2015

STATE OF NEW MEXICO
 UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
 Agreed-Upon Procedures (Tier 3)
 For the Year Ended June 30, 2014

Exhibit A

<u>Capital Outlay Project No.</u>	<u>Pay Request</u>	<u>Amount Awarded</u>	<u>Amount Requested/ Received</u>	<u>Actual Amount Expended</u>	<u>Remaining Balance</u>	<u>Actual Legislation</u>	<u>Effective Dates</u>
13-1512		\$ 50,000.00				Laws of 2013, Chapter 226, Section 23, Paragraph 85	
	1		<u>\$ 32,654.04</u>	<u>\$ 32,654.04</u>	<u>\$ 17,345.96</u>	To design and construct improvements to the water system, including a potable water uranium treatment system, a storage tank, well vault, well house, piping, meters, flow hydrant and related equipment and technology, for the upper Arroyo Hondo mutual domestic water consumers association in Taos County.	Through 6/30/2017

STATE OF NEW MEXICO
 UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
 Agreed-Upon Procedures (Tier 3)
 For the Year Ended June 30, 2014

Exhibit B

Grant No.	Pay Request	Invoice/ Request Date	Amount Awarded	Amount Requested/ Received	Date Received	Invoice Amount	Check Number	Check Date	Actual Amount Expended	Vendor Paid
13-1512			\$ 50,000.00							
		2/25/2014		\$ 16,327.02						
		3/17/2014		12,206.13						
		4/21/2014		<u>4,120.89</u>						
	1	5/28/2014		<u>\$ 32,654.04</u>	7/11/2014	<u>\$ 32,654.04</u>	12750	7/14/2014	<u>\$ 32,654.04</u>	Martin & Martin Consulting Engineers

**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended June 30, 2014**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Late Report	D	N/A	2014-001
Follow-up on Prior Year Findings:			
None	N/A	N/A	N/A

An agreed-upon procedures report was not required for the year ended June 30, 2013

*** Legend for Findings:**

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

**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended June 30, 2014**

2014-001

Late Report

Criteria

Office of the State Auditor, Rule 2014, Section 2.2.2.16.H (1), requires that local public bodies with a June 30 fiscal year end submit the agreed-upon procedures report by December 1 of that year.

Condition

The Upper Arroyo Hondo Mutual Domestic Water Consumers Association has a June 30 year end but the agreed-upon procedures report for the year ended June 30, 2014 was submitted later than December 1, 2014.

Cause

The Upper Arroyo Hondo Mutual Domestic Water Consumers Association was not aware of the agreed-upon procedures requirements until recently.

Effect

The Upper Arroyo Hondo Mutual Domestic Water Consumers Association has not complied with Office of the State Auditor, Rule 2014, Section 2.2.2.16.H (1).

Recommendation

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

Entity Response

"The Upper Arroyo Hondo Mutual Domestic Water Consumers Association will take appropriate measures to insure that future agreed-upon procedures reports will be submitted by the required deadline."

**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Exit Conference
Year Ended June 30, 2014**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on March 17, 2015 with the following in attendance:

Upper Arroyo Hondo Mutual Domestic Water Consumers Association

Pam Harris, Board Secretary

Accounting Firm

James R. (Jim) Macias, CPA