

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

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

**For the Year Ended
June 30, 2015**

James L. Hartogenesis, CPA LLC

Certified Public Accountant

STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
TABLE OF CONTENTS
Year Ended June 30, 2015

	Page
Official Roster	1
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	2-5
Schedule of Capital Projects	6
Schedule of Findings and Responses	7
Status of Prior Year Findings	8
Exit Conference.....	9

**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
June 30, 2015**

Board of Directors

<u>Name</u>	<u>Title</u>
Fernando Martinez	President
Felix Padilla	Vice-President
Roger Padilla	Treasurer
Pam Harris	Secretary
Manuel Ortiz	Director

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors
Upper Arroyo Hondo Mutual Domestic
Water Consumers Association
and
Honorable Timothy M. Keller
New Mexico State Auditor

I have performed the procedures enumerated below, which were agreed to by Upper Arroyo Hondo Mutual Domestic Water Consumers Association (the "Association") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its capital outlay award and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2015. The Association is responsible for its financial reporting and compliance as described above. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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.

In accordance with Tier 3 of the Audit Act – Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

Procedure:

Verify the local public body's revenue calculation and tier determination.

Results of Procedure:

The Association had operating revenues of \$30,548 and state capital outlay expenditures of \$17,346, which was the remainder of Capital Project 13-1512. Therefore, Tier 3 agreed-upon procedures are required.

Procedures:

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.
 - b) Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
 - 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:

100% of capital outlay disbursements were tested. For all disbursements that were tested, the amount recorded as disbursed agreed to adequate supporting documentation, and the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check, where applicable. There were no violations of the NM Procurement Code. The capital outlay award was for engineering and repair services, therefore the procedure for testing for physical existence of the asset is not an applicable procedure. All status reports required were submitted to the Capital Project Monitoring System.

Procedure:

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.

Results of Procedure:

The project was not funded in advance, therefore this procedure is not applicable.

Procedure:

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.

Results of Procedure:

The project was not funded in advance, therefore this procedure is not applicable.

Procedure:

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.

Results of Procedure:

The capital outlay award did not require a separate bank account, therefore this procedure is not applicable.

Procedure:

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.

Results of Procedure:

100% of the reimbursement requests were tested and were properly supported by costs incurred by the Association, and all costs were incurred by the Association prior to the request for each reimbursement. Vendors were paid by the Association within 15 days of receipt of funds.

Procedure:

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(l)(3)(C) NMAC.

Results of Procedure:

The Association did not submit their IPA recommendation or audit report by the deadlines established in NMAC 2.2.2. See finding 2014-001 in the accompanying schedule of findings and responses.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 Association's financial reporting and compliance as described above. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of Upper Arroyo Hondo Mutual Domestic Water Consumers Association, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than the specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico

May 31, 2017

**SCHEDULE OF
CAPITAL PROJECTS**

STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF CAPITAL PROJECTS
 Year Ended June 30, 2015

<u>Project Number</u>	<u>Project Name</u>	<u>Amount Awarded</u>	<u>Amount Received</u>	<u>Amount Expended</u>	<u>Remaining Balance</u>	<u>Legislation/ Effective Dates</u>
13-1512	Water Treatment System Improvements	<u>\$50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	Laws of 2013, Ch. 226/Section 23 7/1/2013 - 6/30/2017

STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015

Current Year Findings

2014-001 – Late Audit Report and Recommendation (Significant Deficiency, Noncompliance)

Condition: The Association did not submit their 2015 agreed-upon procedures report to the Office of the State Auditor by the required due date of December 15, 2015. In addition, the auditor recommendation for 2015 was not submitted to the State Auditor until December 2016. The agency has not made any progress towards correcting the 2014 finding.

Criteria: 2.2.2.8 NMAC (2015 Audit Rule) requires submission of auditor recommendations by July 1, 2015. 2.2.2.9 NMAC also requires submission of audit reports by December 15, 2015.

Cause: The Association did not recommend and contract with an audit firm until December 2016.

Effect: The Association was not in compliance with the State Audit Rule, which could impact its ability to receive grants from federal and state sources.

Recommendation: The Association should designate a board member to prepare the annual auditor recommendation by July 1st of each year and submit it to the Office of the State Auditor. The Association should also institute policies and procedures that will enable it to complete their annual audit by the required due date.

Agency Response: The UAHMDWCA accepts full responsibility for the lateness of the audit report. There was a change in the makeup of the board and some items with crucial due dates slipped through the cracks. The board hopes to have this rectified by creating an electronic calendar with due dates and reminders for the Board by the next audit cycle.

**STATE OF NEW MEXICO
UPPER ARROYO HONDO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2015**

Prior Year Findings

2014-001 – Late Report

Repeated and modified

