
**WHITE CLIFFS MUTUAL DOMESTIC
WATER USERS ASSOCIATION, INC.**

AGREED UPON PROCEDURES REPORT

JUNE 30, 2011

**WHITE CLIFFS MUTUAL DOMESTIC
WATER USERS ASSOCIATION, INC.**

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**WHITE CLIFFS MUTUAL DOMESTIC
WATER USERS ASSOCIATION, INC.**

June 30, 2011

Official Roster

Board of Directors

Michael Daly, President
Randal Henry, Secretary/Treasurer
Dorian Rios, Member

**Independent Accountant's Report on Applying
Agreed Upon Procedures**

6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

To Management
White Cliffs Mutual Domestic Water Users Association, Inc.
Gallup, New Mexico
and
To Mr. Timothy Keller, State Auditor

We have performed the procedures enumerated below, which were agreed to by the White Cliffs Mutual Domestic Water Users Association, Inc. (Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 3, as of June 30, 2011. The Association is the responsible party and the subject matter is the responsibility of the Association. 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 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.

The procedures we performed and the associated findings are included in a supplemental attachment.

We were not engaged to and did not conduct an audit, 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 the Board of Directors and others within the Association, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Ricci & Company LLC

Albuquerque, New Mexico
August 5, 2015

WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.
AGREED UPON PROCEDURES
June 30, 2011

PROCEDURES PERFORMED AND RELATED RESULTS

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. We noted an exception that was written up as finding 2011-02 in the accompanying schedule of findings and responses.
- 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).

We tested four disbursements which represents 100% of disbursements charged to the grant in the year under audit. No exceptions were noted testing the attributes above.

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

The nature and timing of the improvements are such that it would be difficult to observe physical existence. For example, expenses included filling three sewer ponds and patching asphalt. Because the services were performed over four years ago, it would be difficult to determine by physical observation that the work was performed in the year ended June 30, 2011. In addition, goods were purchased that were enclosed inside tubes which would require a system shut down for observation. As an alternative to physically observing the assets, we were provided with pictures showing the work that was completed and, when available, photographs taken prior to the work that was performed.

- 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.

Per discussion with management and review of the grant agreement, we noted no reporting requirements.

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

- 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.**

This project was not funded in advance. Per Article 1 of the grant agreement, funds will only be paid by way of reimbursement for allowable costs.

- 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.**

The project was completed in the year ended June 30, 2011. At the completion of the project a balance of \$790 remained on the grant. The balance was reverted to the State.

- 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.**

Per Article 10 of the grant agreement, funds received from NMED will be established as separate identifiable ledger accounts or be deposited in separate bank accounts. We noted that all funds received were recorded in the accounting software in an account designated only for grant funds.

- 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.**

We tested four reimbursement requests which represent 100% of reimbursement requests submitted to the grant in the year under audit. No exceptions were noted testing the attributes above.

- 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.**

See schedule of findings and responses beginning on page 6.

WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.
 SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS
 Year Ended June 30, 2011

Appropriation	Beginning Date	Ending Date	Award Amount	Amount Received	Amount Expended	Funds Reverted	Remaining Balances
SAP 07-3233-GF	05/05/2008	06/30/2011	\$ 100,000	99,210	99,210	790	-
Total			\$ 100,000	99,210	99,210	790	-

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

2011-001 TIMELINESS OF REPORT

CONDITION

The White Cliffs Mutual Domestic Water Users Association, Inc. submitted the required agreed upon procedures report for the 2011 fiscal year after the deadline of December 1, 2011.

CRITERIA

The Association was required to submit the agreed upon procedures report for the year ended June 30, 2011 on or before December 1, 2011 in accordance with Section 2.2.2.16 H. of the New Mexico State Auditor's Rule.

CAUSE

The Association was not aware of the need to procure the services of an IPA for the performance of a Tier 3 agreed upon procedures engagement. The State of New Mexico Agreed Upon Procedures Contract was not approved by the State Auditor until March 9, 2015.

EFFECT

The Authority is not in compliance with the New Mexico State Auditor's Rule and State Statutes. In addition, the users of the report, such as legislators, creditors, and grantors do not have a current report for analysis.

RECOMMENDATION

The Authority should continue its efforts to get reports completed in a timely manner.

MANAGEMENT RESPONSE

We were unaware in 2011 of a need for an agreed upon procedures engagement.

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

2011-002 SEGREGATION OF DUTIES

CONDITION

While performing testwork over cash disbursements it was noted that one individual is responsible for reviewing and approving expenditures, issuing and signing checks (including checks written to oneself), and mailing payments. There is little to no detailed oversight by the Board of Directors.

CRITERIA

In accordance with Subsection I of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings any fraud, illegal acts, noncompliance or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. A fundamental concept in an adequate system of internal control is the segregation of duties.

CAUSE

The organization is small such that there are a limited number of individuals available to perform financial functions.

EFFECT

A lack of appropriate segregation of duties could lead to misstatements caused by fraud or error.

RECOMMENDATION

The Authority should consider strengthening internal controls through added segregations of duties. This could be accomplished by implementing a policy whereby bank reconciliations are sent directly to the outside accountant, who records transactions and reconciles bank accounts, or to a board member not involved with issuing checks. As an alternative, the accountant could also provide a list of cash disbursements for approval.

MANAGEMENT RESPONSE

We now have the accountant record transactions and reconcile bank accounts as recommended above.

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.
AGREED UPON PROCEDURES
EXIT CONFERENCE
June 30, 2011**

An exit conference was held on August 5, 2015 to discuss the agreed upon procedures. Attending were the following:

Representing the White Cliffs Mutual Domestic Water Users Association, Inc.:

Board of Directors
Michael Daly, President

Representing the Independent Accountant:

Shawn Mortensen, CPA, Manager