

**PENA BLANCA WATER AND SANITATION DISTRICT**

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures (TIER 4)**

**For the Fiscal Year Ended  
June 30, 2017**

**ASSURANCE TAX ACCOUNTING PC**

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**Financial Audits - Agreed Upon Procedures - Tax - Consulting**

**Office:** (505) 620-8526 **Fax:** (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; johnnymangu@msn.com

**PENA BLANCA WATER AND SANITATION DISTRICT**

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**Fiscal Year Ended June 30, 2017**

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**PENA BLANCA WATER AND SANITATION DISTRICT  
OFFICIAL ROSTER  
Fiscal Year Ending June 30, 2017**

<b>Name</b>	<b>Title</b>
Ralph Bernal	President/Director
Irma Gonzales	Vice-President/Director
John Compton	Treasurer/Director
Angelo Mares	Director
Flora Quintana	Director
Sandra Gutierrez	Office Administrator

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES (TIER 4)**

Ralph Bernal, President  
Pena Blanca Water and Sanitation District  
and  
Honorable Wayne A. Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Pena Blanca Water and Sanitation District (District) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its compliance with Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2017. The District's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. 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 findings are as follows:

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tier System Reporting Main Page."

We verified Pena Blanca Water & Sanitation District's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tier System Reporting Main Page" and it was determined that the Pena Blanca falls under the Tier 4 procedures. General revenues were \$87,617 and no capital projects were started or completed.

**2. Cash**

- 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.

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We determined that all bank reconciliations were performed. The bank reconciliations were not performed in a timely manner. All bank statements and investment/savings statements were complete and on hand without exception. All monthly bank reconciliations for the operating account and the savings account were examined without exception. See Finding 2016-001.

- b) Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

We tested at least 30% of bank reconciliations for accuracy and traced the ending balances to the general ledger for all bank statements and savings accounts reconciliations. We noted that the checking account reconciliations for December 2016, and March 2017 were not accurate as there is a reconciliation variance of \$1,548 and \$529 between the book balance per reconciliation and book balance per the financial statements. See Finding 2016-001. The District did not submit the quarterly financial reports to DFA-LGD. See finding 2017-001.

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

We determined that the balances of the operating account and the savings account at no time exceeded the insured limits provided by the FDIC of \$250,000. Therefore, pledged collateral by the financial institution was not required.

### 3. Capital Assets

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

We inquired as to whether or not Pena Blanca Water & Sanitation District is performing a yearly inventory as required by section 12-6-10 NMSA 1978. The majority of the district assets are included in the water system and water tank, most of which is underground. The system is inspected regularly and monitored constantly to ensure that water pressure within the system is constant. Damage to the system such as water leaks, or broken mains, is determined from the monitoring system. The District maintains a written inventory of all equipment and furniture including tagging the items for positive identification. Sandra Gutierrez, Office Administrator performed the inventory listing and a copy was provided to the board for review and it was signed by the board President. We noted no exceptions.

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### 4. Revenue

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.

We performed an analytical review of each type of revenue and compared each type of revenue to the budget. We noted no exceptions.

Select a sample of revenues equal to at least 30% of the total dollar amount and test using the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

We selected a sample of 25 receipts (51% of total receipts) and we traced the amounts recorded in the supporting documentation including deposit books to the general ledger and to the bank statements. We noted no exceptions.

c) Proper recording of classification, amount, 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.

We randomly selected a sample of 25 receipts (51% of total receipts), and we traced the amounts recorded in the general ledger and comparing to the supporting documentation for proper coding and distribution. No exceptions were noted.

### 5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount 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.

We selected a sample of cash disbursements equal to 32% of the total dollar amount and determined that the District had adequate documentation for disbursements. In the testwork we checked that the amount recorded as disbursed agrees to adequate supporting documentation and that the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. No exceptions were noted.

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

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

No major projects requiring bidding were started or completed during this accounting period. Because the District was not using the appropriate mileage reimbursement rate, it resulted in one underpayment of \$2.95 for the items tested. See finding 2015-001.

### 6. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

a) Journal entries appear reasonable and have supporting documentation.

Because there were no manual journal entries created during FY 2017, no testing was performed in this area.

b) The local public body has policies procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Because there were no manual journal entries created during FY 2017, no testing was performed in this area.

### 7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

We verified through review of minutes that the original budget was approved by the District Board, submitted and approved by DFA-LGD.

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b) Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

We determined through comparing the Original/Final Budget to the Actual Expenditures that the District is in compliance with statutes by not over-expending at the fund level, which is the legal level of budgetary control.

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

See Attached Statement of Revenues and Expenditures – Budget and Actual.

### 8. Other

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 all the required content detail in Section 2.2.2.10(L) NMAC.

No information came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the Pena Blanca Water and Sanitation District's financial reporting to the State Auditor as described above. 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 Pena Blanca Water and Sanitation District, the New Mexico Office of the State Auditor, the New Mexico Office Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

*Assurance Tax Accounting P.C.*

Assurance Tax Accounting P.C.  
Albuquerque, New Mexico  
December 7, 2017



STATE OF NEW MEXICO  
PENA BLANCA WATER AND SANITATION DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (Accrual Basis)  
For the year ended June 30, 2017

	Budgeted Amount		Actual Budget Basis	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenue</b>				
Septic Tank Cleanout	\$ 30,000	30,000	29,308	(692)
Water Sales	60,000	60,000	59,764	(236)
Meter Installation	-	-	95	95
Interest Earned	15	15	-	(15)
Other Miscellaneous Sources	-	-	(1,550)	(1,550)
	<u>90,015</u>	<u>90,015</u>	<u>87,617</u>	<u>(2,398)</u>
<b>Expenses</b>				
Personnel Services	43,512	43,512	48,092	(4,580)
Operating Expenses	12,960	12,960	5,221	7,739
System Maintenance / utilities	16,488	16,488	17,745	(1,257)
Insurance	2,952	2,952	3,620	(668)
Utilities	4,200	4,200	2,773	1,427
Water Lease / test	8,436	8,436	5,350	3,086
	<u>88,548</u>	<u>88,548</u>	<u>82,802</u>	<u>5,746</u>
Revenues over (under) expenditures	<u>1,467</u>	<u>1,467</u>	<u>4,816</u>	<u>3,348</u>
<b>Other financing sources (uses):</b>				
Interest earned	-	-	-	-
Operating transfers in	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 1,467</u>	<u>1,467</u>	<u>4,816</u>	<u>3,348</u>

**PENA BLANCA WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2017**

**Prior Year Findings:**

Finding 2016-001 –Bank Reconciliations	Repeated
Finding 2015-001 – Per Diem and Mileage Act	Repeated and Modified
Finding 2016-002 - Lack of Documentation of Cash Disbursements and Payroll miscalculation	Resolved
Finding 2016-003 – No Supporting Documentation Provided for Procurement	Resolved

**Current Year Findings**

- Finding 2016-001 – Bank Reconciliations
- Finding 2017-001 –Quarterly Reporting to DFA
- Finding 2015-001 – Per Diem and Mileage Act

**PENA BLANCA WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2017**

**Finding 2016-001 - Bank Reconciliations**

Condition:

While applying the agreed upon procedures over timeliness and accuracy of cash reconciliations, it was noted that all the bank reconciliations tested for timeliness were performed late and the months of December 2016, and March 2017 were not accurate as there is a reconciliation variance of \$1,548 and \$529 between the book balance per reconciliation and book balance per the financial statements. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

In accordance with Subsection H of 2.2.2.16 NMAC, all agreed upon procedures engagements should report as findings and 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. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly. Ideally all bank accounts should be reconciled prior to the close of the bank statement for the following month.

Cause:

The District was not aware of the requirement to reconcile the bank accounts within 30 days after the statement end date. Because of the length of time between the transaction and reconciliation, accurate documentation could not be located.

Effect:

Bank reconciliations that are not reconciled on a timely basis could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner or if historical bank reconciliations do not tie to the current records.

Recommendation:

The District should establish a policy by which bank reconciliations are required to be performed within thirty days of the statement end date for all bank accounts.

Management's Response:

The District will begin reconciling the bank statements on a timely basis effective immediately. The Office Administrator will ensure that these reconciliations are being performed within thirty days after the statement end date.

**PENA BLANCA WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2017**

**Finding 2017-001 - Quarterly Reporting to DFA**

Condition:

The District did not prepare or submit their operating results quarterly to DFA.

Criteria:

Section 6-6-2 NMSA 1978 requires all local public bodies to submit their operating budget annually to DFA Local Government Division for certification. DFA also requires quarterly reporting by all agencies on prescribed forms.

Cause:

The District was not aware of the reporting requirement imposed by statute and DFA.

Effect:

DFA – Local Government Division lacked the necessary information to perform their oversight duties required by state statute.

Recommendation:

We recommend the District establish contact with their DFA budget analyst to determine what reports are required and whether retroactive reporting will be required. The District should also institute policies to ensure compliance with all reporting requirements imposed by DFA and state statute.

Management's Response:

Effective immediately, Office Administrator will contact a DFA budget analyst to determine which reports need to be reported and by what deadline these reports need to be reported. The District's Board will then determine a policy to ensure compliance with reporting to DFA. Once contact with a DFA analyst has been established, the Office Administrator will also ensure that the reporting is conducted in a timely manner.

**PENA BLANCA WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2017**

**Finding 2015-001 - Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).**

Condition:

The District used the incorrect mileage reimbursement rate to reimburse employee use of personal vehicles for the benefit of the District. Because the District was not using the appropriate mileage reimbursement rate, it resulted in one underpayment of \$2.95 for the items tested. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Per the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC) the District should be using the rates provided by DFA. "Unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately-owned vehicle."

Cause:

The District was not aware of the appropriate mileage reimbursement rate to be used.

Effect:

Because the District is not compliant with the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC), fraud waste and abuse could take place without being detected, affecting the entity adversely in the eye of the stakeholders.

Recommendation:

The District should begin using the DFA published mileage rates along with strengthening the review and approval process.

Management's Response:

The District will begin using the DFA published mileage reimbursement rates effective immediately, and the Office Administrator will provide the supporting documentation of mileage reimbursements to the board for a quality review and approval before the payments are made. The Office Administrator is responsible for meeting the deadline as required.

**PENA BLANCA WATER AND SANITATION DISTRICT**  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2017

The report contents were discussed at an exit conference held on December 6, 2017 with the following in attendance:

**Pena Blanca Water and Sanitation District**

Sandra Gutierrez

Office Administrator

**Assurance Tax Accounting PC**

Johnny Mangu, MBA, CPA, CGFM, CGMA

Principal