

LOWER RIO GRANDE MUTUAL
DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
JUNE 30, 2011

**LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
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JUNE 30, 2011**

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**LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2011**

ROBERT M. NIETO, PRESIDENT

JOHN HOLGUIN, VICE PRESIDENT

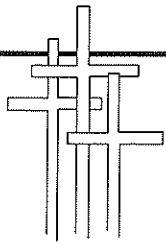
MIKE GUILLEN, SECRETARY/TREASURER

GABRIEL GUTIERREZ, DIRECTOR

ISMAEL BORUNDA, DIRECTOR

SANTOS RUIZ, DIRECTOR AT LARGE

MARTIN LOPEZ, REGISTERED AGENT



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
Lower Rio Grande Mutual Domestic Water Association
215 Bryant
Mesquite, NM 88048

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Lower Rio Grande Mutual Domestic Water Association, solely to assist you with respect to the compliance of the Tier 3 of the Audit Act – Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC of Lower Rio Grande Mutual Domestic Water Association as of June 30, 2011. Lower Rio Grande Mutual Domestic Water Association's management is responsible for the company'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 findings can be found on Exhibit A, attached to this report

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 Lower Rio Grande Mutual Domestic Water Association and New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Clifford Ross & Cooper, LLC".

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

November 30, 2011

**LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
EXHIBIT A- SCOPE OF WORK**

AGREED UPON PROCEDURES

Tier 3 of the Audit Act - Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC

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.

Procedure:

Reviewed 100% of all disbursements (28 checks) for all grants from July 1, 2010 to June 30, 2010.

Verified amount, payee, date and descriptions and agreed to the contract and/or vendor's invoice and traced to bank statements showing they cleared.

Finding:

No discrepancies noted.

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

Procedure:

Reviewed 100% of all disbursements (28 checks) for proper authorization and approval in accordance with the budget, legal requirements and established policies and procedures. Traced to board approval.

Finding:

No discrepancies 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 and State Purchasing Regulations (Section 13-1-28 through 12-1-199 NMSA 1978 and 1.4.1 NMAC).

Procedure:

Only had one new bid during current year, pulled proposals, verified bidding procedures, traced awarding of bid to lowest bidder and approval by the board of directors.

Finding:

No discrepancies noted.

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

Procedure:

Observed physical existence of pipeline going into the ground and coming out at substation

Finding:

No discrepancies noted.

- 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.

Procedure:

Reviewed all quarterly reports submitted to the State Finance Department, agreed amounts to the general ledger and financial statements

Finding:

No discrepancies noted.

- 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.

Procedure:

Reviewed general ledger for any projects that had funding awarded in advance

Finding:

All projects are reimbursement projects.

- 3) If the project was funded in advance, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor

Finding:

All projects are reimbursements projects.

**LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
EXHIBIT A- SCOPE OF WORK**

AGREED UPON PROCEDURES

Tier 3 of the Audit Act - Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC

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.
	Finding: Lower Rio Grande Mutual Domestic Water Association has a separate bank account used only for construction projects and each project is accounted for separately by the outside accountant.
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.
	Procedure: 100% of all reimbursement requests (14) for the period were reviewed for proper support, and reviewed to determine that the costs were paid prior to the request for reimbursement by the entity.
	Finding: No discrepancies were noted.
6)	If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal 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 20(1)(3)© NMAC..
	Finding: Agreed Upon Procedure was performed prior to contract approval by State Auditor, See 2011-1 for finding.

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
EXHIBIT B - SCHEDULE OF CAPITAL OUTLAY PROJECTS
JUNE 30, 2011

	Award Amount	Prior Years Expenditures	Current Year Expenditures	Total Received	Remaining Balance
Project reverted back to State Reallocated and renamed SB29 Colonias Initiative Projects Laws of 2009, Chapter 7, Section 3, subsection 82 Contract dated 2/5/10 Project expiration date 10/30/10 Project 09-3820 #11	\$ 312,047.24	\$ 66,417.19	\$ 245,630.05	\$ 312,047.24	\$ - **
Special Appropriation Project- New Mexico Environment Department Purchase right of way, plan, design & construct pipeline interconnections Laws 2008, Chapter 92, Section 48, Subsection 29 Contract dated 7/1/08 Project expiration date 6/30/2012 SAP 08-3844-GF	\$ 160,000.00	\$ 160,000.00	\$ -	\$ 160,000.00	\$ -
Special Appropriation Project-New Mexico Environment Department LRGMDWA Water System Plan Laws of 2007, Chapter 42, Section 59, Subsection 37 Contract dated 8/3/07 Project expiration date 6/30/2011 SAP 07-4445-GF	\$ 660,000.00	\$ 628,594.52	\$ 7,148.45	\$ 635,742.97	\$ 24,257.03
Community Development Block Grant Governance, Merger and Strategic Plans Title I of the Housing and Community Development Act and 1974 (Public Law 93-383), HUD 24 CFR Part 570 CDBG 09-C-RS-1-06-G-109	\$ 100,000.00	\$ 20,726.00	\$ 79,274.00	\$ 100,000.00	\$ -
Community Development Block Grant-Dona Ana County Regional water system improvement for LRGMDWA Title I of the Housing and Community Development Act and 1974 (Public Law 93-383), HUD 24 CFR Part 570 Upon completion transferred to LRGMDWA CDBG 08-C-NR-1-7-G-13	\$ 500,000.00	\$ 500,000.00	\$ -	\$ 500,000.00	\$ -
Severance Tax Bond Colonias Projects Laws of 2009, Chapter 125, Section 22, Item 4 Contract dated 3/12/10 Project expiration date 12/31/2011 09-3118 (5)	\$ 462,293.00	\$ -	\$ 462,293.00	\$ 462,293.00	\$ -
State of New Mexico, Department of Finance and Administration Fund 89200 Capital Appropriation Project Law of 2010, Chapter 4, Section 8, Paragraph 1 Contract dated September 30, 2010 Project expiration date June 30, 2012 10-1283 #10	\$ 80,000.00	\$ -	\$ 80,000.00	\$ 80,000.00	\$ -

** Project 08-L-G-3949(11) reverted back to state, reallocated and renamed Project 09-3820 #11

**LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011**

2011-1 Lack of Approved Agreed Upon Procedure Contract

Condition: The Agreed Upon Procedure for the June 30, 2011 fiscal year end was not approved by the state auditor prior to submittal of the completed Agreed Upon Procedure to the Office of the State Auditor on December 1, 2011

Criteria: Section 12-6-14 NMSA 1978 (Contract Audits) states that "the State Auditor shall notify each agency designated for Agreed Upon Procedure by an independent auditor, and the agency shall enter into a contract with an independent auditor of its choice in accordance with procedures prescribed by rules of the State Auditor...each contract for Agreed Upon Procedure entered into between an agency and an independent auditor shall be approved in writing by the State Auditor. Payment of public funds may not be made to an independent auditor unless a contract is entered into and approved as provided in this section.

Effect: The Agreed Upon Procedure of Lower Rio Grande Mutual Domestic Water Association was performed without an approved contract and therefore did not meet the requirements of the 2011 State Audit Rule, until the Agreed Upon Procedure was retroactively approved by the State Auditor on January 9, 2012.

Cause: The State Auditor did not approve the contract until after the due date of the Agreed Upon Procedure

Recommendation: The Entity and its IPA should ensure that all administrative and contract documents are approved in accordance with Section 12-6-14 NMSA 1978.

Response: In the future, the Agreed Upon Procedure will not be performed until a signed contract has been approved by the State Auditor.

**LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2011**

Exit Conference:

The exit conference was held on November 30, 2011 with the following persons:

Martin Lopez, Registered Agent for the entity
Robert M. Nieto, President

Denise S. Cooper, Partner, Clifford Ross & Cooper, LLC

These agreed-upon procedures were prepared by Clifford, Ross & Cooper, LLC from the books and records of Lower Rio Grande Mutual Domestic Water Association with the assistance