

# **Accounting & Auditing Services, LLC**

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

**El Creston Mutual Domestic Water Consumers Association**

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

**For the Fiscal Year Ended December 31, 2015**

**El Creston Mutual Domestic Water Consumers Association  
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Fiscal Year Ended December 31, 2015**

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**El Creston Mutual Domestic Water Consumers Association  
Official Roster  
Fiscal Year Ending December 31, 2015**

**Board of Directors**

Joe Zebrowski, President

Gene Solyntjes, Vice President

Lupita Gonzalez, Secretary

Crystal Gallegos, Treasurer

Ricardo Valenzuela, Director

**Administrative Staff**

Thomas Chavez, Water Delivery Driver

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P.O. Box 24164  
Santa Fe, NM 87502  
Office: 505-920-4024  
nmauditors@gmail.com

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Joe Zebrowski, President  
El Creston Mutual Domestic Water Consumers Association  
and  
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the El Creston Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2015, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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 the 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. Our procedures and findings are as follows

### 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.

All of the cash disbursements for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the Association's procurement policies and procedures.

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- 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).

The Association hired Souder, Miller & Associates as the project manager who advertised and obtained bids for the water system improvement project. Based on the results of the bidding process, the Association entered into a contract with Hays Plumbing & Heating, Inc. in accordance with its procurement policies and applicable state laws and regulations.

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

The well head for the exploratory well was observed. The work done as of December 31, 2015 agreed with the project description, contract and invoices. Nothing unusual was 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.

The Association submitted the required disbursement request forms to the New Mexico Environment Department (NMED). The amounts in the status reports agreed with the general ledger and the supporting documentation.

- f. 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.

The project was not funded in advance. The Association was required to submit disbursement request forms to the NMED along with the contractor's partial payment estimates and other supporting documentation.

- g. 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 entire project has not been completed. As of December 31, 2015, only an exploratory well was drilled. The \$62,000 capital outlay appropriation was fully received and expended by the Association for the water system improvement project. However, as of December 31, 2015, none of the \$10,000 capital outlay

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appropriation was expended on the project. See the Schedule of Capital Outlay Awards on p. 6 of this report.

- h. 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.

The \$62,000 received from NMED/DFA for the water system improvement project was deposited in the Association's checking account at the Wells Fargo Bank. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

- i. 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.

For the \$62,000 capital outlay award, the Association filed two disbursement request forms with the NMED for the project expenditures (#1 dated 2/6/15 for \$20,367.91 and #2 dated 11/3/15 for \$41,632.09). The requests were supported by partial payment estimates and other documentation for the project costs. The project costs were not paid by the Association prior to the request for reimbursement because the Association did not have the necessary funds. The Association paid for the project costs after the checks were received from NMED/DFA.

2. The agreed-upon procedures report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See the Schedule of Capital Outlay Awards on p. 6 of this report.

### 3. Other

- a. 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.

No indications of fraud, illegal acts, noncompliance or internal control deficiencies were noted during the performance of the agreed-upon procedures.

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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 management and others with the Association, the New Mexico State Auditor, Department of Finance and Administration – Local Government Division, Environment Department and the State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting & Auditing Services, LLC*

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

February 25, 2016

**El Creston Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2015**

**Status of Prior Year Findings**

Not applicable.

**Current Year Findings**

None.



**El Creston Mutual Domestic Water Consumers Association  
 Schedule of Capital Outlay Awards  
 For the Fiscal Year Ending December 31, 2015**

	1	2
Amount Awarded for Project	\$ 62,000.00	\$ 10,000.00
Amount Received and Expended by El Creston MDWCA	(62,000.00)	-
Remaining Balance	\$ -	\$ 10,000.00

**Agreement Provisions**

**1 - Grant Agreement Between the New Mexico Environment Department and the El Creston Mutual Domestic Water Consumers Association  
 Fund 89200 Capital Appropriation Project #14-1684-STB**

Legislative Authority: NM Laws of 2014, Chapter 66, Section 16, Paragraph 92

Date of Agreement: October 27, 2014

Project Description: To design and construct a water distribution system for El Creston Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$738,989.25

State Grant Amount: \$62,000

Agreement termination/reversion date: June 30, 2018

**2 - Grant Agreement Between the New Mexico Environment Department and the El Creston Mutual Domestic Water Consumers Association  
 Fund 89200 Capital Appropriation Project #15-0541-STB**

Legislative Authority: NM Laws of 2015, Chapter 3, Section 20, Paragraph 53

Date of Agreement: November 30, 2015

Project Description: To plan, design and construct water system improvements for El Creston Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$738,989.25

State Grant Amount: \$10,000

Agreement termination/reversion date: June 30, 2019

**El Creston Mutual Domestic Water Consumers Association  
Exit Conference  
Fiscal Year Ended December 31, 2015**

On February 25, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

El Creston Mutual Domestic Water Consumers Association

Joe Zebrowski, President

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager