

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

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

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

ASSURANCE TAX ACCOUNTING PC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

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

**STATE OF NEW MEXICO
GREATER CHIMAYO MDWCA**

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**STATE OF NEW MEXICO
GREATER CHIMAYO MDWCA
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2017**

President	Paul Martinez
Vice President	Benny Vigil Jr.
Secretary	Bianca Martinez
Treasurer	Charlie Vigil
Member at Large	Ismael Garcia
Legal Council	Ted Trujillo
Office Manager	Marcella Coriz

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

Paul J. Martinez, President
Greater Chimayo MDWCA
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 Greater Chimayo MDWCA (Association) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association'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 Association'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 under "Tier System Reporting Main Page."

We verified Greater Chimayo MDWCA revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page" and it was determined that the Association falls under the Tier 4 procedures. General revenues were \$193,190. No capital outlay funds were expended during the year ended June 30, 2017.

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.

We determined that all bank reconciliations were performed and that all bank statements were complete and on hand without exception. The bank reconciliations were performed

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in a timely manner. All monthly bank reconciliations for the operating account were examined without exception.

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. We determined that the bank reconciliations were accurate, except for the reconciliation for December 2016 checking account where there is a variance of \$1,657 between the general ledger balance per the reconciliation and the general ledger balance per the financial statements. The Association submitted 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 balance of the operating 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 the Association is performing a yearly inventory as required by section 12-6-10 NMSA 1978. The Association performed the capital asset inventory for FY 2017 and provided us the supporting documentation.

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 the revenue. We noted no exceptions.

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

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

We randomly selected a sample of 25 receipts (82% 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. No exceptions were noted.

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 (82% 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 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 44% 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.

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

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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 overpayment of \$0.24. See finding 2017-002.

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.

We selected all nonroutine journal entries entered during FY 2017 for testing. All journal entries appear reasonable based on the memorandum explanation for each entry.

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

We selected all journal entries entered during FY 2017 for testing. The Association was unable to provide written supporting documentation to show that the journal entries are being reviewed and approved for the items selected. See finding 2010-005.

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 the original budget approved by the Association governing body and DFA-LGD.

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 Association is not in compliance with statutes by over-expending at the fund level, which is the legal level of budgetary control. See finding 2017-003.

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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 Expenses – Accrual Basis.

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 required content detailed in Section 2.2.2.10(L)(3) 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 Greater Chimayo MDWCA'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 Greater Chimayo MDWCA, 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 6, 2017

STATE OF NEW MEXICO
 GREATER CHIMAYO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL (Accrual Basis)
 For the year ended June 30, 2017

	Budgeted Amounts		Actual Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Water Sales	180,000	180,000	170,481	(9,519)
Grants and Contracts			479,766	479,766
Membership Dues	300	300	800	500
Water Hook Up Fees-1	5,000	5,000	21,746	16,746
Other Income	47,600	47,600	164	(47,436)
Total revenues	232,900	232,900	672,956	440,056
Expenditures				
Personnel services	143,000	143,000	133,294	9,706
Operating expenses	50,795	50,795	24,680	26,115
Construction			614,288	(614,288)
System maintenance / utiliti	16,000	16,000	16,843	(843)
Utilities	15,000	15,000	15,657	(657)
Debt Service	605	605	562	43
Insurance	7,500	7,500	-	7,500
Total expenses	232,900	232,900	805,324	(572,424)

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2017

Prior Year Findings:

Finding 2015-001 – Capital Asset Inventory Not Completed	Resolved
Finding 2010-003 - Lack of Documentation for Disbursements	Resolved
Finding 2010-005 – No Documentation or Approval of Journal Entries	Repeated

Current Year Findings

- Finding 2017-001 – Bank Reconciliations
- Finding 2017-002 – Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC)
- Finding 2010-005 – No Documentation or Approval of Journal Entries
- Finding 2017-003 – Budget Approval

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2017

Finding 2017-001 - Bank Reconciliations

Condition:

While applying the agreed upon procedures over accuracy of cash reconciliations, it was noted that the bank reconciliation for December 2016 Century Bank Checking was inaccurate. There is a variance of \$1,657 between the general ledger balance per the financial statements and the general ledger balance per the reconciliation.

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.

Cause:

The Association prepared the reconciliation timely, and subsequently adjustments were made to the bank account resulting in a variance between the balance per the reconciliation and general ledger balance.

Effect:

Bank reconciliations that are not reconciled properly 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.

Recommendation:

The Association should establish a policy by which bank reconciliations are required to be reviewed by the board to eliminate adjustments after the quarterly reports are filed.

Management's Response:

The Association will begin reviewing the reconciliations on a timely basis effective immediately. The Association President will ensure that the reconciliations are accurate before the quarterly reports are filed with DFA.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2017

Finding 2017-002 - Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Condition:

The Association used the incorrect mileage reimbursement rate to reimburse employee use of personal vehicles for the benefit of the Association.

Criteria:

Per the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC) the Association 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.” Because the Association was not using the appropriate mileage reimbursement rate, it resulted in one overpayment of \$0.24 for the items tested.

Cause:

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

Effect:

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

Management’s Response:

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

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2017

Finding 2010-005 No Documentation or Approval of Journal Entries (Significant Deficiency)

Condition:

Supporting documentation of journal entries was not provided by the Association. The Association does not have procedures to prepare and retain supporting written documentation, and that require journal entries to be reviewed and there is no evidence the reviews were being performed. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Proper internal controls that prevent management override include requiring that journal entries must have supporting documentation and appear reasonable, and have evidence that the entries are being reviewed and approved.

Cause:

The Association was not aware that supporting documentation of the Journal Entries should be retained and Journal Entries should be reviewed and approved.

Effect:

If Journal Entries are not reviewed and approved, fraud waste and abuse could take place without being detected, and the financial statements could be manipulated or misstated.

Recommendation:

The Association should prepare supporting documentation of journal entries to be reviewed and approved by the Board. The supporting documentation should provide support that the journal entries are being reviewed and approved prior to their entry in the system.

Management's Response:

The Association will prepare and retain the supporting documentation of the journal entries effective immediately. The Board President will provide the supporting documentation with the explanation of the journal entry to the Board for review and approval prior to entry in the system. The Board President is responsible for meeting the deadline as required.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2017

Finding 2017-003 - Budget Approval

Condition:

The Association did prepare and approve their FY 2017 operating budget and did submit their original budget to the New Mexico Department of Finance and Administration (DFA) – Local Government Division (LGD). Subsequently, the Association received a grant from Santa Fe County resulting in a significant increase in revenue and expenses associated with the grant to expand their services. The Association did not submit an amended budget for approval to NM DFA LGD.

Criteria:

Section 6-6-2 NMSA 1978 requires all local public bodies to submit their original operating budget annually to DFA Local Government Division for certification, and any budget amendments to maintain budget authority.

Cause:

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

Management's Response:

Effective immediately, the Association's President 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 Association's Board will then determine a policy to ensure compliance with reporting to DFA. Once contact with a DFA analyst has been established, the President will also ensure that the reporting is conducted in a timely manner.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
Fiscal Year Ended June 30, 2017

<u>Prior Year Number</u>	<u>Prior Year Finding</u>	<u>Current Status</u>
2010-003	Lack of Documentation for Disbursements	Resolved
2010-005	No Documentation or Approval of Journal Entries	Repeated
2015-001	Capital Asset Inventory Not Completed	Resolved

