

STATE OF NEW MEXICO

**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**Independent Accountants' Report on
Applying Tier 4 Agreed-Upon Procedures**

**For the Year Ended
June 30, 2019**



**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
June 30, 2019**

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**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
June 30, 2019**

Board of Directors

<u>Name</u>	<u>Title</u>
Vacant	President
Johann Leitner	Vice-President
Rita Montero	Member-at-Large
Danny Martinez	Member-at-Large

General Counsel

Ted Trujillo	General Counsel
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**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To: Board of Directors
Greater Chimayo Mutual Domestic
Water Consumers Association
and
Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by the Greater Chimayo Mutual Domestic Water Consumers Association (the "Association") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2019. The Association is responsible for its financial reporting and compliance as described above. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. REVENUE DETERMINATION

Procedures

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".

Findings

The Association's revenue calculation and tier determination were verified as correct. Total revenue was \$183,034 which requires Tier 4 agreed-upon procedures.

2. CASH

Procedures

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.

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

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.

Findings

All bank reconciliations were completed timely, and all bank statements were on-hand. 4 months for each account, for a total of 8 reconciliations, were selected for additional testing. All 8 reconciliations were accurate, and balances agreed to the bank statements, general ledger and DFA reports. All bank balances were fully insured.

3. CAPITAL ASSETS

Procedures

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

Findings

The Association did not perform a capital asset inventory and certify it as required by Section 12-6-10 NMSA 1978. See finding 2019-001 in the accompanying schedule of findings and responses.

4. REVENUE

Procedures

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.

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

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

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.

Findings

Revenue was analytically tested and met expectations without exception. 23 receipts for a total \$55,172 were tested. 6 out of 23 cash receipts totaling \$11,866 had no backup or support for the receipt. See finding 2019-002 in the accompanying schedule of findings and responses. 23 of 23 receipts tested were traced to the bank deposit with no exceptions. 17 receipts of 23 tested were determined to be properly recorded as to amount, classification and period.

5. EXPENDITURES

Procedures

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 cancelled check, as appropriate.

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

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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

35 disbursements totaling \$49,568 were tested. There was no invoice or approval documented for 1 of 35 disbursements, totaling \$682. See finding 2019-003 in the accompanying schedule of findings and responses. There were no other exceptions. There were no disbursements subject to the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) or the Per Diem and Mileage Act (2.42.2 NMAC) therefore compliance with those regulations was not tested.

6. JOURNAL ENTRIES

Procedures

Test all non-routine journal entries, adjustments and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings

100% of FY2019 journal entries were tested. The entries were reasonable, had supporting documentation, and were properly authorized.

7. BUDGET

Procedures

Obtain the original fiscal year budget and all budget amendments 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.

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

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.

Findings

The budget was reviewed and determined to be properly authorized and expenditures were less than budgeted amounts at the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenditures - Budget and Actual is presented on page 7 of this report.

8. OTHER

Procedures

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 (L) NMAC.

Findings

Nothing else was noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 Association's financial reporting and compliance as described above. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of State of New Mexico Greater Chimayo Mutual Domestic Water Consumers Association, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
December 16, 2019

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (CASH BASIS)

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (CASH BASIS)
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
REVENUES:				
Charges for services	\$ 180,000	\$ 180,000	\$ 199,207	\$ 19,207
Grants and contracts	122,365	122,365	-	(122,365)
Other income	100	100	3,426	3,326
Total revenues	\$ 302,465	\$ 302,465	\$ 202,633	\$ (99,832)
EXPENDITURES:				
Billing system fees	\$ 30,000	\$ 30,000	\$ 28,721	\$ 1,279
Operations contractor fees	15,500	15,500	20,400	(4,900)
Business office staff	17,800	17,800	18,544	(744)
Professional fees - other	15,400	15,400	18,118	(2,718)
Debt service	500	500	17,762	(17,262)
Utilities	15,000	15,000	16,330	(1,330)
Accounting fees	12,800	12,800	12,000	800
Gross receipts tax	9,000	9,000	8,764	236
Board insurance	8,000	8,000	7,882	118
Legal fees	10,000	10,000	7,399	2,601
Meter reader fees	5,500	5,500	7,004	(1,504)
Water system maintenance	10,000	10,000	3,007	6,993
Postage	2,000	2,000	2,984	(984)
Board stipends	5,000	5,000	2,820	2,180
Telephone & telecommunications	2,200	2,200	2,733	(533)
Audit fees	3,000	3,000	2,715	285
Supplies	2,000	2,000	1,917	83
Property taxes	1,100	1,100	694	406
Membership dues	500	500	394	106
Travel	1,000	1,000	291	709
Organizational expenses	100	100	130	(30)
Subscriptions	500	500	116	384
Water rights and land purchases	500	500	84	416
Bank fees	105	105	33	72
Construction	134,860	134,860	-	134,860
Other expenses	100	100	-	100
Total expenditures	\$ 302,465	\$ 302,465	\$ 180,842	\$ 121,623

YEAR-END FINANCIAL REPORT

SUBMITTED TO DFA

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019**

Current Year Findings

2019-001 - Capital Asset Inventory Not Completed (Noncompliance)

Condition: The Association did not perform and certify the inventory of capital assets for the year ended June 30, 2019.

Criteria: Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

Cause: The Association relied on the inventory conducted by an engineering firm several years ago.

Effect: Lack of a current annual inventory of capital assets may prevent the Association from properly safeguarding their assets. Timely replacement of unusable or obsolete assets may be prevented, which could affect the overall operation of the water delivery system.

Recommendation: The Association should complete an inventory of their capital assets annually, on or near year-end. The inventory should include all moveable chattels and equipment owned by the Association, list the inventory item, acquisition date and original cost, and it should be certified by the Board of Directors in accordance with state statute.

Agency's Response: The association will task the Operator to perform an asset inventory to reflect our current holdings. Asset inventory will be reviewed and approved at the January 2020 Board meeting. Johann Leitner, the Association President will be responsible for ensuring that the action is completed as proposed.

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2019**

Current Year Findings - continued

2019-002 - Lack of Support for Receipts

Condition: 23 receipts for a total \$55,172 were tested. 6 out of 23 cash receipts totaling \$11,866 had no backup or support for the receipt.

Criteria: Proper internal controls over cash receipts should include supporting documentation to determine the proper recording as to amount, classification and period of each receipt.

Cause: The Association did not retain some of the reports from the billing company in the proper location.

Effect: The amount, classification and period for the receipts in question could not be verified.

Recommendation: I recommend the Association retain all supporting documentation for each receipt. This includes receipts by the billing company and any amounts received by management. A report for each deposit should be maintained that shows the detail of amounts paid by customers that agrees to the actual bank deposit.

Agency's Response: The Association will implement a Financial Management Procedure that provides guidance and requirements for handling of cash receipts and disbursements. A draft has already been developed. It will be presented for approval at the next Board Meeting (December 2019). Implementation will be immediate. Danny Martinez, the Association VP will be responsible for this action.

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2019**

Current Year Findings - continued

2019-003 Lack of Supporting Documents and Approval for Disbursement (Significant Deficiency)

Condition: 35 disbursements totaling \$49,568 were tested. There was no invoice or approval documented for 1 of 35 disbursements, totaling \$682.

Criteria: Proper internal controls over cash disbursements should include supporting documentation to determine the proper recording as to amount, allowability, classification and period of each expenditure.

Cause: The Association did not retain documentation of the invoice and approval for the disbursement in question.

Effect: Disbursements may be made that are not properly approved. The Association may be subject to fraud, waste or abuse by not properly authorizing and retaining documentation for every transaction.

Recommendation: The Association should adopt a policy that outlines procedures for the authorization, documentation and retention of all paperwork for each disbursement. For contractors, the contract should be annually approved by the Board of Directors and a signed copy retained for the life of the contract and at least five years thereafter.

Agency's Response: The Association will implement a Financial Management Procedure that provides guidance and requirements for handling of cash receipts and disbursements. A draft has already been developed. It will be presented for approval at the next Board Meeting (December 2019). Implementation will be immediate. Danny Martinez, the Association VP will be responsible for this action.

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2019**

<u>Prior Year Findings</u>		<u>Current Status</u>
2010-005	No Documentation or Approval of Journal Entries	Resolved
2017-003	Budget Approval	Resolved

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
Year Ended June 30, 2019**

The report contents were discussed at an exit conference held on December 13, 2019 with the following in attendance:

Greater Chimayo Mutual Domestic Water Consumers Association

Johann Leitner	President
Danny Martinez	Vice-President

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
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