

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Chapelle Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended June 30, 2015

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**Chapelle Mutual Domestic Water Consumers Association
Table of Contents
Fiscal Year Ended June 30, 2015**

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountant's Report	1
Schedule of Findings and Responses	5
Schedule of Capital Outlay Awards	6
Exit Conference	7

**Chapelle Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending June 30, 2015**

Board of Directors

David R. Salazar, President

Gilbert Sena, Vice President

Nick Montoya, Secretary

Henry Montoya, Member

Edward Baca, Member

Administrative Staff

None

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Independent Accountant's Report on Applying Agreed-Upon Procedures

David Salazar, President
Chapelle Mutual Domestic Water Consumers Association
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Chapelle Mutual Domestic Water Consumers Association (Association) for the year ended June 30, 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.

- 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 advertised, obtained bids and quotes where necessary, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations. The Association selected Souder, Miller & Associates to perform the planning and design services for the project.

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

There were no capital assets to observe. The expenditures through June 30, 2015 were for engineering services during the planning stage of the project. The engineering plans prepared for the water system improvements project were viewed; the plans appeared complete and 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 Department of Environment (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 invoices 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.

As of June 30, 2015, the planning and design stage of the project has been completed. The \$50,000 capital outlay appropriation was not fully expended by the Association. The unexpended remaining balance of \$18,378.96 was reauthorized by the legislature for a change in purpose per the Laws of 2015, Senate Bill 291, Section 58, NMED Project #15-1155-STB. 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 \$31,621.04 received from NMED/DFA for the engineering services was not deposited in the Association's checking account at the Southwest Capital Bank in Las Vegas, NM. Instead, the Association used the two checks received from the NMED/DFA to obtain 2 cashier's checks (\$15,149.28 dated 12/3/14 and \$16,471.76 dated 3/4/15) that were paid to the order of Souder, Miller & Associates. 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 capital outlay award, the Association filed two disbursement request forms dated 11/10/14 and 2/5/15 with the NMED for the project expenditures. The requests were supported by invoices from Souder, Miller & Associates for planning and design services. 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.

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
August 5, 2015

**Chapelle Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2015**

Status of Prior Year Findings

Not applicable.

Current Year Findings

None.

**Chapelle Mutual Domestic Water Consumers Association
Schedule of Capital Outlay Awards
For the Fiscal Year Ending June 30, 2015**

	<u>1</u>
Amount Awarded for Project	\$ 50,000.00
Amount Received and Expended by Chapelle MDWCA	<u>(31,621.04)</u>
Remaining Balance	<u>\$ 18,378.96</u>

Agreement Provisions

**1 - Grant Agreement Between the New Mexico Department of Environment and the
Chapelle Mutual Domestic Water Consumers Association
Fund 89200 Capital Appropriation Project #14-1688-STB**

Legislative Authority: NM Laws of 2014, Chapter 66, Section 16, Paragraph 96

Date of Agreement: October 16, 2014

Project Description: To plan and design a water storage tank for the
Chapelle Mutual Domestic Water Consumers Association in Sarafina in San Miguel County.

Estimated Project Cost: \$31,957.83

State Grant Amount: \$50,000

Agreement termination/reversion date: June 30, 2018

**Chapelle Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended June 30, 2015**

On August 5, 2015, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Chapelle Mutual Domestic Water Consumers Association

David Salazar, President

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager