

# PORCH & ASSOCIATES LLC

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

QUAIL HOLLOW MUTUAL DOMESTIC WATER USERS ASSOCIATION,  
NEW MEXICO

Report of Independent Accountant on the  
Application of Agreed-Upon Procedures

December 31, 2017

QUAIL HOLLOW MUTUAL DOMESTIC WATER USERS ASSOCIATION,  
NEW MEXICO

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QUAIL HOLLOW MUTUAL DOMESTIC WATER USERS ASSOCIATION,  
NEW MEXICO

List of Principal Officials

December 31, 2017

**Board of Directors**

Steve Gutierrez	President
Ken Hume	Secretary
Alaina Pershall-Zimmerman	Treasurer

**Report of Independent Accountant  
on the Application of Agreed-Upon Procedures**

Mr. Wayne A. Johnson, New Mexico State Auditor, and  
The Board of Directors  
Quail Hollow Mutual Domestic Water Users Association, New Mexico  
Tijeras, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Quail Hollow Mutual Domestic Water Users Association, New Mexico (Association) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its capital outlay and its compliance with Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2017. The Association's management is responsible for its accounting records, financial reporting, and compliance with the State Auditor rules as described above.

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 are as follows:

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

**1. Verify the Local Public Body's Revenue Calculation for Tiered System Reporting**

We used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to recalculate the tiered system reporting calculation prepared by the Association.

**Findings Resulting from Procedure 1**

The Association had operating revenues of \$8,958 and expended the remainder of its state capital outlay funds in the amount of \$22,171, which requires Tier 3 agreed-upon procedures.

Mr. Wayne A. Johnson, New Mexico State Auditor, and  
The Board of Directors  
Quail Hollow Mutual Domestic Water Utility Association, New Mexico  
Tijeras, New Mexico

## **2. 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.
- b) Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- 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.

### **Findings Resulting from Procedures 2(a) – 2(e)**

1. We tested 100% of disbursements recorded for fiscal year 2017. Each amount recorded as disbursed agrees in amount, payee, date, and description to a vendor's invoice.
2. The Association received invoices from vendors. The invoices were paid and then the support for payment was submitted to the DFA for reimbursement. All reimbursements were within the scope of the project. All payments were agreed to adequate supporting documentation.
3. There were no violations of the New Mexico Procurement Code.
4. The capital outlay award was for engineering services and construction costs to lay pipe and install water meters. We relied on pictures taken during construction and as-build design plans to observe the capital assets. We were able to determine the physical existence of the capital assets without exception.
5. All status reports required were submitted to the Capital Project Monitoring System.

Mr. Wayne A. Johnson, New Mexico State Auditor, and  
The Board of Directors  
Quail Hollow Mutual Domestic Water Utility Association, New Mexico  
Tijeras, New Mexico

### **3. Advanced Funding**

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.

#### **Findings Resulting from Procedure 3**

Not applicable – the project was not funded in advance.

### **4. Fund Reversion**

If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor

#### **Findings Resulting from Procedure 4**

The unexpended balance of \$68 was reverted per the agreement with the grantor.

### **5. Separation of Funds**

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.

#### **Findings Resulting from Procedures 5**

The capital award did not require a separate bank account. Therefore, this procedure is not applicable.

### **6. Reimbursement Requests**

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.

#### **Findings Resulting from Procedures 6**

All reimbursement requests were tested. All reimbursement requests were properly supported by costs incurred by the Association. NMED allows the Association to receive grant money in advance of expenditures because the Association is small and does not have adequate funding to pay for expenditure in advance of grant funding. Therefore, we did not test to see if costs were paid prior to the request for reimbursement.

Mr. Wayne A. Johnson, New Mexico State Auditor, and  
The Board of Directors  
Quail Hollow Mutual Domestic Water Utility Association, New Mexico  
Tijeras, New Mexico

## **7. Indications of Fraud**

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

### **Findings Resulting from Procedures 7**

We noted no indications of fraud.

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We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion on the Association's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion or conclusion. 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 Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and is not intended to be, and should not be, used by anyone other than those specified parties.

*Porch & Associates, LLC*

Albuquerque, New Mexico  
April 27, 2018

**QUAIL HOLLOW MUTUAL DOMESTIC WATER USERS ASSOCIATION**  
**SCHEDULE OF CAPITAL PROJECTS**  
**December 31, 2017**

Project Number	Project Name	Amount Awarded	Amount Expended	Amount Received	Remaining Balance	Legislation/Effective Dates
	Quail Hollow MDWUA					Laws of 2014, Chapter 66,
SAP 14-1595-STB	Water System Improvements	200,000	199,932	199,932	68	Section 16, Paragraph 1 10/21/2014 - 6/30/2018



**QUAIL HOLLOW MUTUAL DOMESTIC WATER USERS ASSOCIATION,  
NEW MEXICO  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2017**

**Prior Year Findings**

None

**Current Year Findings**

None

**QUAIL HOLLOW MUTUAL DOMESTIC WATER USERS ASSOCIATION,  
NEW MEXICO  
EXIT CONFERENCE  
Year Ended December 31, 2017**

An exit conference was held telephonically on April 27, 2018, and attended by the following:

Quail Hollow Mutual Domestic Water Users Association, New Mexico

Alaina Pershall-Zimmerman, Treasurer

Porch & Associates LLC

Thad Porch, Managing Principal