

**OSHARA
MUTUAL DOMESTIC WATER ASSOCIATION**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED UPON PROCEDURES**

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019



**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
AGREED-UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

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**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
AGREED-UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

OFFICIAL ROSTER

Board of Directors

Robert Detwiler, President
George Brown, Vice President
Peter Murphy, Secretary/Treasurer
Larry Glaister, Member
Ed Greco, Member

Principal Employees

Beth Detwiler, Volunteer Operating Manager
Therese Francis, Accountant (Contract)



INDEPENDENT ACCOUNTANT'S APPLYING AGREED UPON PROCEDURES REPORT

To Management
Oshara Mutual Domestic Wastewater Association
Oshara Village, New Mexico
and
Mr. Brian Colón, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by Oshara Mutual Domestic Wastewater Association and New Mexico Office of the State Auditor, solely to assist in determining if the Association is in compliance with New Mexico State Auditor Rule, Tier 4 requirements as of December 31, 2019. The Association is the responsible party and the subject matter is the responsibility of the Association. 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.

The procedures and associated findings are included in supplemental attachments.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institution of Certified Public Accountants. 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 Tier 4 agreed upon procedures. 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 management and others within the Association, New Mexico Office of the State Auditor, New Mexico Department of Finance and Administration-Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads 'MP Group, Inc.' followed by a stylized flourish.

May 28, 2020

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
AGREE-UPON PROCEDURES
DECEMBER 31, 2019**

TIER 4 AGREED-UPON PROCEDURES

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements.

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

Findings:

We reviewed the revenue per the Association's income statement and determined through the form that the Association is Tier 4.

2. Cash

Procedure:

- 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.

Findings:

The Association has one checking accounts at a bank. The checking account serves as the Association's primary operating account. The Association utilizes QuickBooks software to record cash transactions and to reconcile the primary operating account.

We reviewed the operating account bank statements and account reconciliations performed in the fiscal year. All of these bank statements were complete and on hand. Bank statements for the operating account are received monthly. We noted that the reconciliations for July, November and December were not complete and because of this, they were not completed in a timely manner. See finding 2019-001.

Procedure:

- 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.

Findings:

We selected five bank reconciliations for the Association's checking account to test for accuracy: April 30, 2019, July 31, 2019, September 30, 2019, November 30, 2019, and December 31, 2019. Three out of five reconciliations for the checking account did not match the general ledger. See finding 2019-001 in the Schedule of Findings and Responses.

Procedure:

- c) Determine whether the local public body's financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
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2. Cash (Continued)

Findings:

We determined that the Associations cumulative account balances held at each financial institution did not exceed federally insured limits. As a result, pledged collateral was not required.

3. Capital Assets

Procedure:

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

Findings:

The Association didn't perform an annual inventory as required by Section 12-6-10 NMSA 1978, and a capital asset listing is maintained on an Excel spreadsheet. The Association received the wastewater treatment plant in 2019 and there was no appraisal to determine the value by a qualified engineer. See finding 2019-002 in the Schedule of Findings and Responses.

4. Revenue

Identify the nature and amount of revenue from all sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

Procedure:

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Findings:

We compared actual to budget for each type of revenue.

	FY 2019 Actual	FY 2019 Budget	Variance
Century Bank Transfer - Wastewater Treatment Plant	\$ 698,040	-	\$ 698,040
Residential/Commercial & Standby Fees	99,138	108,991	(9,853)
Revenue Received from OUC Closed Account	9,245	2,373	6,872
Hookup Fees	17,486	21,546	(4,060)
Total	\$ 823,909	\$ 132,910	\$ 690,999

Residential/Commercial & Standby Fees variances are consistent with the Association's budgeting and the Waste water treatment plant is non-cash revenue and therefore not included in the above schedule.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
AGREED-UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

4. Revenue (Continued)

Procedure:

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

We reviewed the general ledger for charges to revenue and tested the following:

	<u>Revenues Tested</u>
April 2019	\$18,067.33
July 2019	23,497.79
December 2019	12,732.34
Total	<u><u>\$54,297.46</u></u>

No exceptions were noted testing the attributes above.

5. Expenditures

Procedure:

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

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that the 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 13-1-199 NMSA 1978) and State 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.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
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JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

5. Expenditure (Continued)

Findings:

We tested the Association's expenditures by selecting the larger amounts in each expense account. The sample transactions represent 30.20% of the total expenditures in the fiscal year. The above attributes were tested without exception for all transactions.

We reviewed the general ledger for charges to expenditure and tested the following:

	Expenditure Tested
Admin & Ops	\$7,873.25
Facility	1,645.66
Regulatory	2,378.42
WWTP Operations	18,680.28
Total	\$30,577.61

No exceptions were noted testing the attributes above.

6. Journal Entries

Procedure:

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 policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings:

The Association uses QuickBooks software to maintain the general ledger. Based on our interview of personnel of the Association and review of the journal entries made in the fiscal year, we determined the Association does not use journal entries as part of its routine record. Journal entries are made during the year or at year end to correct errors or reclassify activity as needed.

7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

Procedure:

- 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.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
AGREED-UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

7. Budget (Continued)

Findings:

The Association approved the original budget and two resolutions as noted in the minutes and there were no subsequent budget adjustments noted.

Procedure:

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

Findings:

The Association's total expenditures exceeded the final budget total by \$12,842. See finding 2019-003 in the Schedule of Findings and Responses.

Procedure:

- 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 Association did not include the budget adjustments in the DFA quarterly budget report and their books. See attached Statement of Revenues and Expenditures – Budget and Actual – General Fund – Budget Basis. See finding 2019-003 in the Schedule of Findings and Responses.

8. Other

Procedure:

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) NMAC.

Findings:

During our testwork, there were no instances that came to our attention which indicated any instances of fraud illegal acts, noncompliance, or internal control deficiencies other than what was disclosed in 2019-001-003.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
 AGREED-UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Ordinary Income/Expense				
Income				
Century Bank transfer - WWTP	\$ -	\$ -	\$ 698,040	\$ 698,040
Commercial Lot	413	413	475	62
Commercial Vacant Lots	3,600	3,600	2,850	(750)
Discounts/Credits	-	-	(118)	(118)
Finance Charges	-	-	242	242
Hookup Fees	-	-	17,486	17,486
OUC transfers	-	-	9,245	9,245
Residential Vacant	17,150	17,150	13,165	(3,985)
Standard Residential	87,828	87,828	81,429	(6,399)
Transfer Fees	-	-	1,095	1,095
Other Income	-	23,919	-	(23,919)
Total Income	108,991	132,910	823,909	690,999
Expense				
ADMIN & OPS				
Accounting & Admin (Contract)	7,980	7,980	7,670	310
Bank Service Charges	1,250	1,250	531	719
Legal	-	-	260	(260)
License & Permits				
Nonprofit formation fees	-	-	600	(600)
State Secretary	25	25	10	15
Total License & Permits	25	25	610	(585)
Lien fees	-	-	50	(50)
Management	-	-	5,463	(5,463)
Memberships & Dues	-	-	208	(208)
Office Supplies	600	600	529	71
Postage	480	480	735	(255)
Rent po box	100	100	102	(2)
Total ADMIN & OPS	\$ 10,435	\$ 10,435	\$ 16,158	\$ (5,723)

The total income above is \$125,869 (Century Bank Transfer – WWTP is not included) on the Association’s books, this amount did not agree to the total revenues of \$125,708 which is reported on NM DFA-LGD report. See Finding 2019-003 in the Schedule of Findings and Responses.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
 AGREED-UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (CONTINUED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FACILITY				
Alarm Service	\$ 350	\$ 350	\$ 347	\$ 3
Landscaping	400	400	363	37
Utilities				
Comcast	1,920	1,920	1,904	16
PNM	4,800	4,800	4,153	647
Propane	300	300	211	89
Water	1,200	1,200	1,394	(194)
Total Utilities	<u>8,220</u>	<u>8,220</u>	<u>7,662</u>	<u>558</u>
Total FACILITY	<u>8,970</u>	<u>8,970</u>	<u>8,372</u>	<u>598</u>
REGULATORY				
Consulting (re Permit)	6,000	6,000	-	6,000
Notification costs	-	-	361	(361)
Testing	5,100	5,100	6,869	(1,769)
Water Discharge Permit	-	-	1,692	(1,692)
Total REGULATORY	<u>11,100</u>	<u>11,100</u>	<u>8,922</u>	<u>2,178</u>
WWTP OPERATIONS				
Chemicals	1,900	1,900	1,253	647
Contract WWTP Operator	40,493	40,493	40,493	-
Repairs, Replacements				
Equipment, Supplies, Subcontract	6,000	6,000	10,519	(4,519)
Pump/Electrical Service	3,000	3,000	-	3,000
R&M Labor (1099)	4,500	4,500	10,254	(5,754)
Supplies	-	-	499	(499)
Total Repairs, Replacements	<u>13,500</u>	<u>13,500</u>	<u>21,272</u>	<u>(7,772)</u>
Sludge/Solids Removal	2,000	2,000	4,770	(2,770)
Total WWTP OPERATIONS	<u>57,893</u>	<u>57,893</u>	<u>67,788</u>	<u>(9,895)</u>
Total Expense	<u>88,398</u>	<u>88,398</u>	<u>101,240</u>	<u>(12,842)</u>
Net Ordinary Income	<u>20,593</u>	<u>44,512</u>	<u>722,669</u>	<u>678,157</u>
Other Income/Expense				
Other Expense				
WWTP Amortization	-	-	44,320	(44,320)
Total Other Expense	<u>-</u>	<u>-</u>	<u>44,320</u>	<u>(44,320)</u>
Net Other Expenses	<u>-</u>	<u>-</u>	<u>44,320</u>	<u>(44,320)</u>
Net Income	<u><u>\$ 20,593</u></u>	<u><u>\$ 44,512</u></u>	<u><u>\$ 678,349</u></u>	<u><u>\$ 633,837</u></u>

The total expense above is \$101,240 (WWTP Amortization is not included) on the Association's books. This amount did not agree to the total expenditure of \$101,225 which is reported on NM DFA-LGD report. See Finding 2019-003 in the Schedule of Findings and Responses.

OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
 AGREED-UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

NM DFA-LGD REPORT PROFIT AND LOSS BUDGET VS. ACTUAL

DEPARTMENT OF FINANCE AND ADMINISTRATION
 LOCAL GOVERNMENT DIVISION
 BUDGET AND FINANCE BUREAU

SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM FISCAL YEAR 2019-2020

Special District: Oshara Mutual Domestic Wastewater Association
 Quarter Ending: 12/31/2019

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE ON JAN 01	INVESTMENTS, CD'S LGIP, BONDS, SAVINGS	REVENUES YEAR TO DATE	NET TRANSFERS (GRAND TOTAL = 0)	EXPENDITURES YEAR TO DATE	BOOK BALANCE END OF PERIOD	ADD OUTSTANDING CHECKS	LESS DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE, MUST EQUAL ZERO
GENERAL FUND - Operating (GF) - MAINT	101	-	-	98,823	-	101,225	(2,402)	-	-	-	(2,402)	15,852	-
INTERGOVERNMENTAL GRANTS	218	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	299	-	-	26,885	-	-	26,885	-	-	-	26,885	-	-
DEBT SERVICE	400	-	-	-	-	-	-	-	-	-	-	-	-
GRAND TOTAL		\$ -	\$ -	\$ 125,708	\$ -	\$ 101,225	\$ 24,483	\$ -	\$ -	\$ -	\$ 24,483	\$ 24,483	\$ -

OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
 AGREED-UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

NM DFA-LGD REPORT PROFIT AND LOSS BUDGET VS. ACTUAL (CONTINUED)

Quarter Ending: 12/31/19

SPECIAL DISTRICT: Domestic Wastewater Association

REVENUES	January - March FIRST QUARTER	April - June SECOND QUARTER	July - September THIRD QUARTER	October - December FOURTH QUARTER	YEAR TO DATE	APPROVED BUDGET	YEAR TO DATE % OF BUDGET
General Fund 101 (enter items below) Residential/Commercial & Standby Fees	15,744	25,783	30,448	26,848	98,823	108,991	91%
TOTAL GENERAL FUND REVENUES	\$ 15,744	\$ 25,783	\$ 30,448	\$ 26,848	\$ 98,823	\$ 108,991	91%
Other Financing Sources:							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Transfers	-	-	-	-	-	-	-
Intergovernmental Grants 218 (enter items below)							
Other Financing Sources:							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Transfers	-	-	-	-	-	-	-
Other 299 (enter items below) Transfer from Oshara Utility Company, Inc Transfer from Oshara Maintenance Association (Hook up fees)	2,373	-	6,346	680	9,399	-	-
	-	-	15,200	2,286	17,486	-	-
	-	-	-	-	-	-	-
TOTAL OTHER REVENUES	\$ 2,373	\$ -	\$ 21,546	\$ 2,966	\$ 26,885	\$ -	-
Other Financing Sources:							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Transfers	-	-	-	-	-	-	-
Debt Service 400							
General Obligation Bonds General Obligation - (Property tax) Investment Income Other - Misc							
Revenue Bonds Bond Proceeds Revenue Bonds - GRT Investment Income Revenue Bonds - Other							
Miscellaneous(NMFA, BOP, etc.)							
TOTAL DEBT SERVICE REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other Financing Sources:							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Transfers	-	-	-	-	-	-	-
GRAND TOTAL REVENUES	\$ 18,117	\$ 25,783	\$ 51,994	\$ 29,814	\$ 125,708	\$ 108,991	115%

OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
 AGREED-UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019

NM DFA-LGD REPORT PROFIT AND LOSS BUDGET VS. ACTUAL (CONTINUED)

Quarter Ending: 12/31/19

SPECIAL DISTRICT: Domestic Wastewater Association

EXPENDITURES	January - March			April - June			July - September			October - December			YEAR TO DATE	APPROVED BUDGET	YEAR TO DATE % OF BUDGET
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR TO DATE										
General Fund 101 (enter items below)															
Accounting & Admin (Contract)	1,814	1,952	1,952	1,952	7,670	1,952	1,952	1,952	1,952	7,980	7,980	96.11%	7,980	96.11%	
Admin & Ops	213	788	5,945	928	7,874	5,945	928	928	928	2,280	2,280	331%	2,280	331%	
Alarm Service	-	-	-	347	347	-	-	-	-	347	347	99%	347	99%	
Chemicals	225	659	369	-	1,252	369	-	-	-	1,900	1,900	66%	1,900	66%	
Franchise Tax	-	-	-	-	-	-	-	-	-	50	50	0%	50	0%	
License & Permits	-	1,232	460	600	2,292	460	600	600	600	25	25	9168%	25	9168%	
Outside Contractors	-	361	6,965	361	7,326	6,965	361	361	361	6,400	6,400	114%	6,400	114%	
Repairs & Replacements	242	3,141	8,033	2,815	14,231	8,033	2,815	2,815	2,815	13,500	13,500	105%	13,500	105%	
Sludge/Solids Removal	1,232	1,636	1,901	2,281	4,769	1,901	2,281	2,281	2,281	2,000	2,000	238%	2,000	238%	
Testing	1,192	1,551	1,845	2,281	6,869	1,845	2,281	2,281	2,281	5,100	5,100	135%	5,100	135%	
Utilities	1,946	1,732	2,267	2,081	8,026	2,267	2,081	2,081	2,081	8,220	8,220	98%	8,220	98%	
WWTP Operations (Contract)	10,123	10,123	10,123	10,124	40,493	10,123	10,124	10,124	10,124	40,493	40,493	100%	40,493	100%	
Supplies	76	-	-	-	76	-	-	-	-	-	-	-	-	-	
TOTAL GENERAL FUND EXPENDITURES	\$ 17,063	\$ 23,174	\$ 39,860	\$ 21,128	\$ 101,225	\$ 39,860	\$ 21,128	\$ 21,128	\$ 21,128	\$ 88,398	\$ 88,398	115%	\$ 88,398	115%	
Intergovernmental Grants 218 (enter items below)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL INTERGOV. GRANT EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	-	
Other 299 (enter items below)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL OTHER EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	-	
Debt Service 400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bond Payments Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bond Payments- Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL DEBT SERVICE EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	-	
GRAND TOTAL EXPENDITURES	\$ 17,063	\$ 23,174	\$ 39,860	\$ 21,128	\$ 101,225	\$ 39,860	\$ 21,128	\$ 21,128	\$ 21,128	\$ 88,398	\$ 88,398	114.51%	\$ 88,398	114.51%	

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

CURRENT STATUS ON PRIOR YEAR FINDINGS:

N/A

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

CURRENT YEAR FINDINGS

FINDING 2019-001 INACCURATE CHECKING ACCOUNT CASH BALANCE

CONDITION

As part of completing procedures of the bank reconciliations, we noted that the GL balance for the NM Bank & Trust checking account for April, July, November and December were not consistent with the bank statement balance at monthly end. Outstanding checks in July, November and December were calculated incorrectly. The difference was due to credit card payments that does not matched with the bank statements.

CRITERIA

Good internal controls require the Association to regularly perform bank reconciliations and account review over the cash accounting system and help determine whether all cash activity is properly posted in the general ledger. Preparing reconciliations and performing reviews on a timely basis provides greater assurance that all cash activity has been properly recorded and that any irregularities in activity will be more readily identified.

CAUSE

The Association did not reconcile GL detail to bank reconciliation properly.

EFFECT

The Information supplied to DFA- Local Government Division reflecting the Association's cash balance at year end was inaccurate. The Association could be misstating revenues and expenses when reporting budget amounts to the department and missing the cash balance in its quarterly cash reports submitted to the department.

RECOMMENDATION

Bank statements for the accounts are received monthly. Reconciliations on these accounts should be performed on a monthly basis in a timely manner upon receipt of the statement. In addition, management should review the reconciliations to ensure accurate information supplied to DFA-Local Government Division is correct.

MANAGEMENT RESPONSE

Bank statements were reconciled quarterly in 2019. We will begin reconciling our statements monthly. Our DFA reports haven't included "Less Deposits in Transit" which will be corrected on future DFA submissions. Oshara MDWA Treasurer will be responsible for ensuring our accountant reconciles bank statements monthly and will ensure "Less Deposits in Transit" inclusion in the DFA Quarterly Report. Action will be completed by June 30, 2020.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

FINDING 2019-002 INACCURATE CAPITAL ASSET INVENTORY AT FISCAL YEAR-END

CONDITION

The Association received the Wastewater Treatment Plant (WWTP) from Century Bank as a transfer in 2019, and used the suggested value from NMED and NM Rural Water Association. They did not request a qualified engineering appraisal. For the fiscal year ending December 31, 2019, the Association provided a capital asset listing with the suggested value instead of fair market value of the time they received the Treatment Plant.

The Association did not perform an annual physical inventory at year-end.

CRITERIA

Section 12-6-10.A NMSA 1978 states: “Annual Inventory. The governing authority of each agency shall, at the end of fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.” Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

EFFECT

The Association’s capital asset listing as of December 31, 2019 may be incomplete or inaccurate.

CAUSE

Management did not finish capital listing of the assets/infrastructure they received from Century Bank in 2019. The Association neither requested an appraisal for the Plant fair market value when the Association received the Plant, nor performed a physical inventory observation.

RECOMMENDATION

The Association should request an appraisal from a qualified engineer and determine the fair market value at the time they received the WWTP. At the end of each fiscal year, the Association should perform and document a physical inventory of its capital assets in accordance with state laws and regulations annually. For each moveable capital asset, the description of the assets, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on the Association’s capital asset listing. The results of inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Association.

MANAGEMENT RESPONSE

Oshara MDWA will acquire an appraisal from a qualified engineer to determine the fair market value of the WWTP received in March 2019. Oshara MDWA president will be responsible for locating a qualified engineer to perform a fair market value of our capital assets. The appraisal will be completed by the end of Calendar Year 2020.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

FINDING 2019-003 ACTUAL EXPENDITURES EXCEED BUDGETARY EXPENDITURE

CONDITION

The Association's total expenditures exceed the final budget total by \$12,842. The quarterly report sent to DFA and the Association books did not include the budget adjustment. The revenue and expenditure reported to DFA did not agree to the Association books. The ending cash balance in the DFA quarterly report did not properly sum.

CRITERIA

Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

EFFECT

The Association has not complied with New Mexico statutes, and the control established by the use of budgets has been compromised.

CAUSE

The Association did approve budget adjustment requests, but did not include adjustments in the quarterly report sent to DFA. The profit and loss reported in the DFA quarterly report did not agree to the Association books.

RECOMMENDATION

We recommend that budget controls and processes at the Association be strengthened to ensure that budgeted amounts are not overspent through budget adjustment requests. These requests need to include both revenues and expenditures and must be approved by Department of Finance and Administrations-Local Government Division. The Association should review the profit and loss statements before preparing the DFA quarterly report and should review the report before submitting to DFA.

MANAGEMENT RESPONSE

Our 2019 budget was submitted before Oshara MDWA acquired ownership of the Wastewater Treatment Plant (WWTP), and lacked insight into all expected facility costs. After obtaining the WWTP in March 2019, numerous unbudgeted facility deficiencies were fixed. Our 2020 budget had the foresight of nine months of ownership and is currently being executed within budget expectations.

Our 2019 DFA approved budget adjustment resolutions failed to include expenditure budget adjustments. Oshara MDWA Treasurer will be responsible for making this correction to any future budget adjustment submissions to DFA. Action completed.

**OSHARA MUTUAL DOMESTIC WASTEWATER ASSOCIATION
AGREED-UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

EXIT CONFERENCE

An exit conference was held by teleconference on May 28, 2019 to discuss the agreed upon procedures. Attending were the following:

Representing the Oshara Mutual Domestic Water Association

Board of Directors

Robert Detwiler, President

Peter Murphy, Secretary/Treasurer

Management

Beth Detwiler, Volunteer Operating Manager

Representing the Independent Accountant:

Scott Peck, Partner

Yang Lin, Staff Accountant