

STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT

TIER 4 AGREED UPON PROCEDURES

JUNE 30, 2010

FIDEL A. BERNAL, PC
CERTIFIED PUBLIC ACCOUNTANT
ALBUQUERQUE, NEW MEXICO

**STATE OF NEW MEXICO
BLUEWATER WATER & SANITATION DISTRICT**

**TABLE OF CONTENTS
JUNE 30, 2010**

	<u>Page</u>
Official Roster	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2-5
Schedule of Revenue, Expenses, Budget and Actual	6
Schedule of Findings and Recommendations	7-13
Exit Conference	14

**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT**

Board of Directors

Chairman (as of December 2010)	Eric Garden
Chairman(Prior to December 2010)	Van Spencer
Director	David Hassell
Director	Steven Mayne
Director	Jennifer Wengert
Director	Steve Spencer

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

Mr. Hector H Balderas
New Mexico State Auditor
and
Members of the Board
Bluewater Water and Sanitation District
Bluewater, NM

We have performed the procedures enumerated below, which were agreed to by Bluewater Water and Sanitation District, solely to assist you with respect to the District's compliance for a Tier 4 engagement of Tier 4 of the Audit Act (Section 12-6-1 NMSA 1978 et seq.). The District's management is responsible for the agreed upon procedures for the Tier 4 engagement. 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 Results are as follows:

1. 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) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.
- 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.

Results:

- a) Based on the document supplied the reconciliation were **not** done in a timely manner. They were not performed until the current fiscal year.
- b) When the reconciliations were performed they were clerically accurate. No reports have been submitted to DFA
- c) The District currently has three bank accounts. The total amount in these account is \$30,252. Well under the FDIC coverage limit of \$250,000

See Finding 10-1 Cash and Finding 10-2 Compliance with DFA

2. Capital Assets:

Procedures:

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

Results:

The district did not perform a yearly inventory
See Finding 10-3 Capital Assets

3. Revenue:

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

Procedures:

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.
Test 50% of the total amount of revenues 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.

Results:

- a) There is no budget to compare the revenue to.
- b) There was a total of 36 deposits for the year so I tested 18. Out of the 18 deposits tested 15 had all required documentation. Three had missing deposit slips so tracing the amounts back to the customer files was not possible.
- c) All deposits were properly recorded in the general ledger.

4. Expenditures

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

Procedures:

- 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.
- 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results:

- a) There were a total of 123 transactions for the year for a of total \$92,480. We sampled 40 items that totaled \$67,940. Of the 40 items sampled all were recorded properly and cleared the bank for the proper amount. Of the 40 Items 16 did not have invoices. There was a lack of documentation & no real procedure for invoicing or purchase orders
 - b) The disbarments were properly authorized but there is no budget to compare them to.
 - c) There was no need to go out to bid all purchases were under the threshold.
- See Finding 10-4 Lack of control & documentation

5. 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:

Procedures:

- 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.

Results:

There were no Journal entries posted for the current fiscal year so no additional testing was performed.

6. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

Procedures:

- 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.

Results:

There was not a DFA approved budget for the current fiscal year; therefore no testing could be performed on the budget.

See Finding 10-5 Budget

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES (continued)

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. 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 specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in dark ink, appearing to read "Fairchild", is written in a cursive style.

Albuquerque NM
November 22 2011

State of New Mexico
 Bluewater Water and Sanitation District
 Proprietary Fund
 Schedule of Revenues, Expenses Budget and Actual
 Year ended June 30, 2010

	*Original Approved Budget	*Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water and Sewer Income	\$ -	\$ -	\$ 106,676	\$ 106,676
Total revenues	<u>-</u>	<u>-</u>	<u>106,676</u>	<u>106,676</u>
Expenses:				
Bookkeeping	-	-	900	(900)
Insurance	-	-	1,750	(1,750)
Office Supplies	-	-	379	(379)
Materials, supplies, & maintenance	-	-	13,526	(13,526)
Taxes	-	-	52	(52)
Utilities	-	-	67,926	(67,926)
Other - Misc	-	-	3,681	(3,681)
Total operating expenses	<u>-</u>	<u>-</u>	<u>88,214</u>	<u>(88,214)</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	-	-	<u>18,462</u>	<u>\$ 18,462</u>
Prior year cash balance required to balance the budget	<u>\$ -</u>	<u>\$ -</u>		

*Bluewater Water & Sanitation District did not have a DFA approved budget for the year ended June 30, 2010.
 See finding 10-5.

**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

CURRENT YEAR FINDINGS

10-1 Cash Reconciliations

Condition

The District did not prepare bank reconciliations in a timely manner.

Criteria

Sound accounting and control procedures require that the District maintain an accurate cash balance to properly account for all public money (2006 NMSA Section 6-10-2).

Cause

Bank accounts were not reconciled or maintained.

Effect

Without the accounting and control procedures over the bank accounts, there is the possibility that the cash is not being accounted for properly on the financial records and there is the possibility that money could be misplaced, lost or stolen.

Recommendation

All bank accounts should be properly reconciled in a timely manner and should be reconciled to the general ledger.

Response

Lynette Garden, the current bookkeeper has been completing reconciliations every month since she started in December 2010. When she started, she first reconciled all the prior months and is no reconciling on a monthly basis.

STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
June 30, 2010

10-2 Compliance with DFA Reporting

Condition

The District does not submit quarterly or year-end financial reports to the Department of Finance and Administration's Local Government Division (DFA LGD) as required.

Criteria

NMSA 1978 6-6-2 mandates Department of Finance and Administration's Local Government Division (LGD) to require periodic financial reports of local public bodies and to prescribe their form. LGD currently requires quarterly reports from counties, municipalities and special districts.

Cause

No formal financial statements were kept therefore no report were filed with DFA LGD.

Effect

The District is not in compliance with the state statutes.

Recommendation

We recommend that management become familiar with the requirements of DFA LGD and submit the required reports.

Response

The current bookkeeper is working with all state agencies to bring the District into compliance with all agencies.

**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
June 30, 2010**

10-3 Capital Assets

Condition

The District does not maintain a historical listing of capital assets by type and location, i.e.: buildings, furniture and fixtures. Nor does it take an annual physical count of its assets.

Criteria

Sound accounting and control procedures require that detailed listings of assets be maintained to properly account for and safeguard all the assets of the District (12-6-10 NMSA 1978).

Cause

No formal records of the capital assets were ever maintained.

Effect

Without the accounting and control procedures over the assets acquired, there is the possibility that assets are not being accounted for properly on the financial records and there is the possibility that assets could be misplaced, lost or stolen.

Recommendation

All assets should be properly accounted for and should be documented on a schedule of property, plant and equipment. The detailed property, plant and equipment listing should be reconciled to the general ledger on a periodic basis.

Response

The District will become familiar with Section 12-6-10 so they can come into compliance on inventory and asset management matters.

STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
June 30, 2010

10-4 Lack of control & documentation

Condition

The District does not have a policy for purchases and invoices were not found for several of the disbursements. Out of the 123 disbursements we tested the documentation for 40 items and 16 did not have invoices. There was also was not a procedure fallowed on how the invoices where tracked and approved for payment.

Criteria

In order to ensure compliance with internal controls

Cause

Policies were not put in place to meet these requirements.

Effect

The District does not have internal controls over when and how invoices are paid.

Recommendation

We recommend management develop and implement policies for purchases. Such a policy might require obtaining and documenting three quotes for small purchases and maintaining in a procurement file a written determination of the basis for the emergency purchase and for the selection of the particular contractor or vendor.

Response

The current bookkeeper is keeping track and record of all expenditures. She is documenting what the expenses are for and keeping check stubs and invoices together to avoid double payments.

STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
June 30, 2010

10-5 Approved budget for fiscal year 2009-10

Condition

The District did not have an approved final budget nor did they submit one for the fiscal year 2009-2010 by the due date of July 1, 2009.

Criteria

The District is to furnish and file with the Department of Finance and Administration Local Government Division (LGD) a proposed budget for the next fiscal year. Each proposed budget is to be examined and approved prior to July 1 of each year. (Section 6-6-3; NMSA).

Cause

The District did not comply with the requirements of the LGD budget process in an accurate and timely manner.

Effect

The District is not complying with statutory requirement. The District may not be able to adequately plan future revenues and expenditures need for the future period.

Recommendation

The District should refine its review process to submit a budget by the LGD due date. The review process should allow enough time to make necessary corrections, revisions and amendments to proposed budgets as may be necessary to meet the requirements of law.

Response

We now have a budget for the fiscal year 2010-2011 that was approved by DFA.

STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
June 30, 2010

10-6 SAO Reporting

Condition:

The District did not submit its Tier 4 Agrees Upon Procedures report for the year ended June 30, 2010 by the due date.

Criteria:

The New Mexico State Auditor rules require that Special District Tier 4 Agrees Upon Procedures reports be submitted by December 1st of each year. (SAO Rule 2.2.2.9 A (1) (d))

Cause:

The District was unable to submit the June 30, 2010 Tier 4 Agrees Upon Procedures Report because an auditor was not retained until July 2011.

Effect:

The District is not in compliance with the New Mexico State Auditor Rules and Regulations.

Recommendation:

The District needs to ensure that all future audit reports are filed in a timely manner.

Response:

Concur the Board of Directors is working on procedures to resolve finding and get all future reports completed in a timely manner.

**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
June 30, 2010**

10-7 Minutes

Condition

The District does not have a complete set of Board minutes. Some of the minutes are missing or misplaced.

Criteria

The board of directors shall meet at least once a calendar quarter. The District has elected to meet once a month. The board shall keep minutes of each meeting, including a record of attendance and of all votes cast. (Section 58-1-66; NMSA)

Cause

The District had misplaced or does not have the minutes for July 2009 through June 2010.

Effect

By not having, a full set of board minutes the administration is not aware of the intent of the Board and do not have written verification on how the execute their wishes for the District.

Recommendation

The District should implement a filing system that allows for all the minutes be keep in one place and that all the members of the board receive copies of the minutes and not the originals.

Response

The current board is working on resolving this issue and will follow the above advice and make sure the minutes are kept intact and accessible.

**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
EXIT CONFERENCE
June 30, 2010**

Exit Conference

An exit conference was held at Bluewater Water and Sanitation District on November 22, 2010:

Representing Bluewater Water and Sanitation District were:

Lynette Garden	Bookkeeper
Eric Garden	Chairman

Representing the firm of Fidel A. Bernal, P.C. was:

Fidel A. Bernal, CPA