

**RAMAH WATER AND SANITATION DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2010**

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**RAMAH WATER AND SANITATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2010**

Board of Directors

Bob Cain, Board Chair

Principal Employees

Althea Pat, Accountant



Independent Accountants' Report on Applying Agreed-Upon Procedures

Honorable Hector H. Balderas
New Mexico State Auditor
and
Ramah Water and Sanitation District
McKinley County, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Ramah Water and Sanitation District (Ramah), and the New Mexico State Auditor's Office, solely to assist in determining if Ramah is in compliance with New Mexico State Audit Rule, Tier 4, as of June 30, 2010. Ramah is the responsible party and the subject matter is the responsibility of Ramah. 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.

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 the Department of Finance and 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.

Results:

- a) No bank reconciliations for fiscal year 2010 were found. See finding 2010-02. All bank statements were found and reviewed for compliance with 2010 Tier 4 Agreed Upon Procedures. No exceptions related to bank statements were noted.

- b) We selected four months to test: January, 2010, February, 2010, March, 2010, and June, 2010. No bank reconciliations were found. See finding 2010-02. No DFA Quarterly reports were submitted for the year under review.
- c) No bank reconciliations for the year under review were found. See finding 2010-02. All testwork related to proper recording of revenue were performed without exception. It was determined that the average balance in all accounts is below \$250,000 in all accounts; therefore, additional procedures relating to pledged collateral were not performed.

2. Capital Assets

Procedure:

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

Result:

The procedures performed showed that the annual physical inventory was taken.

3. Revenue

Procedures:

- 1. 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.
- 2. Test 50% of the total amount of revenues for the following attributes:
 - a) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
 - b) 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:

- 1. Since no budget was established and approved for the year under review, no comparison of actual and budgeted revenue is possible. See finding 2010-01.

	Actual	Budget	Variance
Water User Fees	\$ 101,118	\$ -	\$ 101,118
Grants	17,801	-	17,801
Interest and Dividends	-	-	-
	<u>\$ 118,919</u>	<u>\$ -</u>	<u>\$ 118,919</u>

2. We tested 100 revenue transactions covering 67% of total revenue for the year ended June 30, 2010. No exceptions were noted in testing the attributes shown above.

4. Expenditures

Procedures:

Select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for 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 checks, 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).

Results:

We tested 78 transactions covering 50% of the total expenditures for the year for the attributes described above. No exceptions were noted. The sample size was representative of the population.

5. Journal Entries

Procedures:

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items 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.

Results:

Our performance of the agreed upon procedures showed no non-routine journal entries for the year ended June 30, 2010; therefore additional procedures were not performed.

6. Budget

Procedures:

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

- 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:

- a) No budget was ever adopted by the Board for the year under review. See finding 2010-01. No budget was submitted to DFA-LGD for approval. See finding 2010-03. No quarterly reports were submitted to DFA. See finding 2010-03.
- b) No budget was ever adopted by the Board for the year under review. No budget was submitted to DFA-LDG for approval. See finding 2010-03.
- c) No budget was ever adopted by the Board for the year under review. No budget was submitted to DFA-LGD for approval. See attached Statement of Revenues and Expenditures – Budget and Actual. See finding 2010-03.

Other Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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) (3) (C) NMAC.

Results:

No discrepancies were noted.

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 4 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 within Ramah, the State Auditor, the 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 these specified parties.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC

Albuquerque, New Mexico
Accountants – Business Consultants – CPAs
October 16, 2014

**RAMAH WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Water User Fees	\$ -	\$ -	\$ 101,118	\$ 101,118
Gross Sales	-	-	17,801	17,801
Interest and Dividends	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>118,919</u>	<u>118,919</u>
Expenditures:				
Current:				
System Operation and Maintenance	-	-	37,172	(37,172)
Management	-	-	84,424	(84,424)
Board Expenses	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>121,596</u>	<u>(121,596)</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,677)</u>	<u>\$ (2,677)</u>

**RAMAH WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

FS 2010-01 – The 2010 Budget not formally approved by the Board nor DFA – LGD

Condition: The agreed upon procedures mandate approval of the budget, first by the Board and then by the DFA-LGD.

Criteria: Annual budgets are to be approved by the Board and DFA-LGD. Adjustments to the budget are to be approved by the Board.

Effect: Lack of an approved budget calls into question the management oversight by the Board regarding the budget process. Without an approved budget, it is impossible to compare actual revenues and expenditures to budgeted amounts helping the Board to be fiscally responsible.

Cause: The Board did not approve a budget for the year ended June 30, 2010.

Auditors' Recommendation: The Board should implement a formal budget approval process internally. Following that, the Board should task a Board member with the responsibility of submitting the Board-approved budget to DFA-LGD by the deadline. Ramah should frequently compare budgeted amounts to actual and investigate deviations.

Management Response: The Board agrees with the recommendation. Formal approval of a budget will take place by the Board. After this, the Budget will be submitted to DFA-LGD for approval.

FS 2010-02 – Bank reconciliations were not performed

Condition: For the year under review, bank reconciliations were not performed.

Criteria: Proper financial control dictates bank reconciliations be performed in a timely manner and reviewed.

Effect: Internal controls over cash are not operating effectively if bank statements are not reconciled to the general ledger monthly.

Cause: The Board did not exercise adequate oversight in making sure bank reconciliations were done on a timely basis.

Auditors' Recommendation: Bank reconciliations should be performed monthly and approved at the regular board meetings.

Management Response: The Board concurs and will assure the monthly preparation and approval of bank reconciliations.

**RAMAH WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

FS 2010-03 – Quarterly reports to DFA-LGD were not submitted

Condition: The quarterly reports of cash balances were not submitted to DFA-LGD as required.

Criteria: Financial reports are required to be sent quarterly to DFA-LGD.

Effect: The reports were never submitted to DFA-LGD as required.

Cause: The Board was unaware that these reports were required by DFA-LGD.

Auditors' Recommendation: The Board should prioritize the timely and accurate submission of financial reports to DFA-LGD.

Management Response: The Board was unaware of this responsibility and will make sure all reports to DFA-LGD are submitted accurately and timely from now on.

FS 2010-04 – Late submission of report

Condition: The Tier 4 Agreed Upon Procedures report for the year ended June 30, 2010, was submitted to the State Auditor late.

Criteria: Tier 4 reports are required to be submitted to the Office of the State Auditor within five months after the end of the fiscal year.

Effect: The Agreed Upon Procedures report for the year ended June 30, 2010 was submitted late.

Cause: The Board did not contract with an Independent Public Accountant (IPA) to conduct the Agreed Upon Procedures for 2010 until 2014.

Auditors' Recommendation: The Board should contract with an IPA on a yearly basis to ensure that the required annual report is submitted timely to the Office of the State Auditor.

Management Response: The Board concurs with the finding. Currently, an IPA firm is under contract to complete the reports for 2011, 2012 and 2013.

**RAMAH WATER AND SANITATION DISTRICT
EXIT CONFERENCE
JUNE 30, 2010**

An exit conference was held on October 16, 2014 to discuss the Tier 4 agreed upon procedures.

Attending were the following:

Bob Cain, Board Chair, Ramah Water and Sanitation District
Althea Pat, Accountant, Ramah Water and Sanitation District
Don Wittman, CPA, Kubiak Melton & Associates, LLC