



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

**VALLEY ESTATES MUTUAL DOMESTIC
WATER AND SEWER ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 3)

Year Ended June 30, 2016

STATE OF NEW MEXICO

**VALLEY ESTATES MUTUAL DOMESTIC WATER AND
SEWER ASSOCIATION**

**Independent Accountants' Report on Applying
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Year Ended June 30, 2016

**STATE OF NEW MEXICO
VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION**

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**STATE OF NEW MEXICO
VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION**

**Official Roster
at June 30, 2016**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
MaryLou Apodaca	President
Taylor Valdez	Vice-President
Arthur Mascareñas	Secretary/Treasurer
Andrew Medina	Member-at-Large
Karen Wisdom	Member-at-Large
Ron Karcher	Member-at-Large



Macias, Gutierrez
& Co., P.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 3)

To: MaryLou Apodaca, President
Valley Estates Mutual Domestic Water and Sewer Association #4107
and
Honorable Timothy M. Keller
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Valley Estates Mutual Domestic Water and Sewer Association and the Office of the State Auditor on the Tier Verification, the State-Funded Capital Outlay Expenditures and Reimbursements and Other for the year ended June 30, 2016, included in the accompanying information provided to us by management of the Valley Estates Mutual Domestic Water and Sewer Association. The Valley Estates Mutual Domestic Water and Sewer Association is responsible for the Tier Verification, the State Funded Capital Outlay Expenditures and Reimbursements and Other for the year ended June 30, 2016 included in the accompanying information provided to us by the management of the Valley Estates Mutual Domestic Water and Sewer Association. 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. The procedures and associated findings are as follows:

The Contractor shall request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for the capital outlay award funds expended by the recipient that meet Tier 3 criteria.

1. Before beginning the procedures below, the IPA must verify the local public body's revenue calculation and tier determination using the form provided at www.osanm.org under "Tiered System Reporting Main Page."

We verified Valley Estates Mutual Domestic Water and Sewer Association's revenue calculation and tier determination. Valley Estates Mutual Domestic Water and Sewer Association's cash basis revenue was less than \$50,000 and expended at least 50% of, or the remainder of a capital outlay award which meets the criteria for **Tier 3 determination**.

2. The Contractor shall test all state-funded capital outlay expenditures to:

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 cancelled 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 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.

Results of Procedures Performed

- a) For Project 12-1364-STB, there was one \$12,614.20 payment made during the year. We could not initially determine that amounts recorded as disbursed agreed to adequate supporting documentation. We requested but were not able to initially examine the single vendor's invoice for the year ended June 30, 2016 because the invoice or other supporting documentation was not in the Association's project file. The supporting documentation was recently obtained from the New Mexico Environment Department, Construction Programs Bureau. We did examine the cancelled check copy shown in the bank statement. (See Finding 2016-002, p. 5).
- b) After receipt of the supporting documentation from the New Mexico Environment Department, we determined that the disbursement was properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) We determined 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).
- d) We determined the physical existence (by photograph) of the capital asset based on expenditures to date.
- e) We verified that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with other supporting documentation.

3. Procedures

If the project was funded in advance, the Contractor shall determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

Results of Procedures Performed

The project was not intended to be funded in advance but on a reimbursement basis.

4. Procedures

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

Results of Procedures Performed

The project is complete and there was no unexpended balance reverted per statute and agreement with the grantor.

5. Procedures

The Contractor shall 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 agreement.

Results of Procedures Performed

Since the project was approved on a reimbursement basis, no separate fund or bank account was required.

6. Procedures

The Contractor shall determine whether reimbursement requests were properly supported by costs incurred by the recipient. The Contractor shall determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedures Performed

We determined that reimbursement requests were properly supported by costs incurred by the recipient and that the costs were paid by the local public body prior to the request for reimbursement. For Project 12-1364-STB, we examined one reimbursement request for \$12,614.20.

7. Other Procedures

If information comes to the Contractor'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 (I) (3) (C) NMAC.

Results of Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts. However, see the Schedule of Findings and Responses for a noncompliance issue related to Late Report (See Finding 2016-001, p. 4) and an internal control deficiency (See Finding 2016-002, p. 5).

* * * * *

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, State-Funded Capital Outlay Expenditures and Reimbursements or Other for the Valley Estates Mutual Domestic Water and Sewer Association for the year ended June 30, 2016, included in the accompanying information provided to us by management of the Valley Estates Mutual Domestic Water and Sewer Association. 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 Valley Estates Mutual Domestic Water and Sewer Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Española, New Mexico
May 16, 2017

STATE OF NEW MEXICO
 VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION
 Projects Schedule - Summary
 For the Year Ended June 30, 2016

Exhibit A

<u>Grant No.</u>	<u>Pay Request</u>	<u>Total Amount Awarded</u>	<u>Amount Requested/ Received</u>	<u>Grant Amount Expended</u>	<u>Requested Remaining Balance</u>	<u>Actual Legislation</u>	<u>Effective Dates</u>
12-1364-STB		\$ 50,000.00					
	1		\$ 12,412.00	\$ 12,412.00	\$ 37,588.00		
	2		16,520.80	16,520.80	21,067.20	Laws of 2012, Chapter 64 Section 11, Paragraph 36, to plan, design and construct improvements to the Valley Estates mutual water and sewer association	
	3		5,671.00	5,671.00	15,396.20		
	4		2,782.00	2,782.00	12,614.20		
	5		<u>12,614.20</u>	<u>12,614.20</u>	<u>-</u>	water system in Rio Arriba County	Through 6/30/2016
			<u>\$ 50,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ -</u>		

STATE OF NEW MEXICO
 VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION
 Projects Schedule - Detail
 For the Year Ended June 30, 2016

Exhibit B

Grant No.	Pay Request	Certification/ Request Date	Total Amount Awarded/ Years	Amount Requested/ Received	Date Received	Invoice Amount	Check Number	Check Date	Actual Amount Expended	Vendor Paid
12-1364-STB			\$ 50,000.00							
	1	12/1/2012		\$ 12,412.00		\$ 12,412.00			\$ 12,412.00	Medina Consulting
	2	11/6/2013		16,520.80		16,520.80			16,520.80	Medina Consulting
	3	2/4/2014		5,671.00		5,671.00			5,671.00	Medina Consulting
	4	12/10/2013		<u>2,782.00</u>		<u>2,782.00</u>			<u>2,782.00</u>	Medina Consulting
			2012-2014	37,385.80		37,385.80			37,385.80	
	5	3/3/2016	2016	<u>12,614.20</u>	4/28/2016	<u>12,614.20</u>	1815	5/9/2016	<u>12,614.20</u>	Done Right Construction
				<u>\$ 50,000.00</u>		<u>\$ 50,000.00</u>			<u>\$ 50,000.00</u>	

**STATE OF NEW MEXICO
VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended June 30, 2016**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current-Year Findings:			
Late Report	D	N/A	2016-001
Payment Made Without Supporting Invoice	C	N/A	2016-002
Follow-up on Prior-Year Findings:			
	N/A	N/A	N/A

An agreed-upon procedures report was not required FYE June 30, 2015

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended June 30, 2016**

2016-001

Late Report (Noncompliance)

Criteria

Office of the State Auditor, Rule 2016, Section 2.2.2.16.G, states that local public bodies with a June 30 fiscal year-end must submit the agreed upon procedures report no later than December 15.

Condition

Valley Estates Mutual Domestic Water and Sewer Association has a June 30 year end but the agreed upon procedures report for the year ended June 30, 2016 was submitted after December 15, 2016.

Cause

Valley Estates Mutual Domestic Water and Sewer Association did not submit the IPA recommendation or AUP contract to the State Auditor by the deadline and was unable to provide the IPA appropriate requested documents to support the state funded capital outlay expenditures in a timely manner.

Effect

Valley Estates Mutual Domestic Water and Sewer Association has not complied with Office of the State Auditor, Rule 2016, Section 2.2.2.16.G.

Recommendation

We recommend that Valley Estates Mutual Domestic Water and Sewer Association complete the recommendation and contract forms and submit all future agreed-upon procedures reports by the required deadlines.

Entity Response

“The Valley Estates Mutual Domestic Water and Sewer Association will complete the recommendation and contract forms and submit all future agreed-upon procedures reports by the required deadlines. The President and Secretary will immediately be responsible for future compliance.”

**STATE OF NEW MEXICO
VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended June 30, 2016**

2016-002

Payment Made Without Supporting Invoice (Internal Control Deficiency)

Criteria

Good internal accounting control requires that all disbursements have supporting documentation, such as the vendor's invoice. Also, the supporting documentation should be maintained in the entity's files and be readily available for inspection, as necessary.

Condition

Valley Estates Mutual Domestic Water and Sewer Association made a payment to a vendor without the proper supporting documentation, the vendor's invoice. The invoice or other supporting documentation was not maintained in the Association's files. The supporting documentation was recently obtained from the New Mexico Environment Department, Construction Programs Bureau, but was not included in the documentation provided to perform the agreed-upon procedures. The documentation shows proper approvals.

Cause

The fee accountant for the Valley Estates Mutual Domestic Water and Sewer Association was not provided with an approved invoice prior to issuing the check.

Effect

The lack of appropriate supporting documentation and approvals for expenses could create the possibility of errors or irregularities.

Recommendation

We recommend that Valley Estates Mutual Domestic Water and Sewer Association implement and enforce policies and procedures to insure a vendor's invoice is presented and approved, prior to a payment being made. We further recommend that complete supporting documentation for all payments be maintained in the Association's files.

Entity Response

"The Valley Estates Mutual Domestic Water and Sewer Association will implement and enforce policies and procedures to insure a vendor's invoice is presented and approved, prior to a payment being made. The Association will also implement and enforce policies and procedures to insure proper supporting documentation is maintained in the Association's files. The President and Secretary will immediately be responsible for future compliance."

**STATE OF NEW MEXICO
VALLEY ESTATES MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION**

**Exit Conference
Year Ended June 30, 2016**

EXIT CONFERENCE

The report contents were discussed at in a telephonic exit conference held on May 31, 2017 with the following:

Valley Estates Mutual Domestic Water and Sewer Association

By telephone:

Arthur Mascareñas, Board Secretary/Treasurer

Accounting Firm

James R. (Jim) Macias, CPA