



**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

INTRODUCTORY SECTION

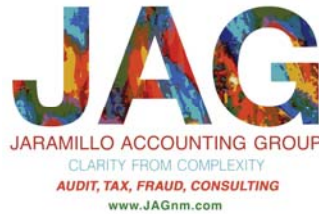
**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
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JUNE 30, 2019**

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**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
JUNE 30, 2019**

<u>DIRECTORS</u>	<u>POSITION</u>
Judith Cooper	Chair Person
Terry Christesson	Vice Chair
Gerald Krautheim	Board Member
Benito Gonzales	Board Member
Tonk Chester	Board Member
Leah Jackson	Board Member
Todd DeKay	Board Member
Amy Briggs	Board Member
Rene Hatfield	Board Member
Charles "Jay" Jaramillo	Board Member
Tracy Jones	Board Member
Marcos Martinez	Board Member
John Mulcahy	Board Member
Becky Rowley	Board Member
Eric Hollon	Board Member
Paul Stevens	Board Member
Nicole Wyatt	Board Member
Theresa Villanueva	Board Member
Kimberly Byrne	Board Member
<u>STAFF</u>	
Beth Elias	Program Manager
Tiffany Roth	Operations Manager
Odessa Hamilton	Financial Manager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Eastern Area Workforce Development Board
Roswell, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the Eastern Area Workforce Development Board (EAWDB), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the EAWDB's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

The Board of Directors
Eastern Area Workforce Development Board
and Mr. Brian Colón, Esq.
New Mexico State Auditor

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the budgetary comparison for the general fund of EAWDB as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise EAWDB's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Board of Directors
Eastern Area Workforce Development Board
and Mr. Brian Colón, Esq.
New Mexico State Auditor

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019 on our consideration of EAWDB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EAWDB's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 27, 2019

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 132,353
Grant receivables	255,284
Other receivables	89,119
Prepaid expenses	5,350
Security deposits	<u>1,850</u>
Total current assets	<u>483,956</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	476,935
Accrued liabilities	4,063
Unearned revenue	<u>2,958</u>
Total current liabilities	<u>483,956</u>
 NET POSITION	
Unrestricted	<u>-</u>
Total net position	<u><u>\$ -</u></u>

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position for Governmental Activities
Governmental activities			
Employment Services			
Workforce Investment Act Program	\$ (3,408,952)	\$ 3,408,952	\$ -
Job Center operations	<u>(237,459)</u>	<u>237,459</u>	-
	<u>\$ (3,646,411)</u>	<u>\$ 3,646,411</u>	-
General revenues			
Interest income			-
Changes in net position			
Net position, beginning of year			-
Net position, end of year			<u>\$ -</u>

STATE OF NEW MEXICO
 EASTERN AREA WORKFORCE DEVELOPMENT BOARD
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2019

ASSETS	
Cash and cash equivalents	\$ 132,353
Grant receivables	255,284
Other receivables	89,119
Prepaid expenses	5,350
Security deposits	<u>1,850</u>
Total assets	<u><u>\$ 483,956</u></u>
 LIABILITIES	
Accounts payable	\$ 476,935
Accrued payroll liabilities	4,063
Deferred revenues	<u>2,958</u>
Total liabilities	<u>483,956</u>
 FUND BALANCES	
Nonspendable: prepaids	5,350
Nonspendable: security deposit	1,850
Unassigned (deficit)	<u>(7,200)</u>
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 483,956</u></u>

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - Governmental Funds	\$ -
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet	<u>-</u>
Net position of governmental activities	<u><u>\$ -</u></u>

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Federal grants	\$ 3,408,952
Intergovernmental revenue - state sources	<u>237,459</u>
Total revenues	<u><u>3,646,411</u></u>

EXPENDITURES

Current

Employment services	
Formula Program Year funds	
Adult	2,089,824
Dislocated Worker	266,558
Youth	732,672
Administration	319,898
Job Center operations	<u>237,459</u>
Total expenditures	<u><u>3,646,411</u></u>

Net changes in fund balances	-
Fund balances - beginning of year	<u>-</u>
Fund balances - end of year	<u><u>\$ -</u></u>

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - governmental funds	\$ -
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	<u>-</u>
Changes in net position of governmental activities	<u><u>\$ -</u></u>

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal grants	\$ 6,230,182	\$ 4,576,381	\$ 3,408,952	\$ (1,167,429)
Intergovernmental revenue-state sources	78,120	249,481	237,459	(12,022)
Other revenue	-	-	-	-
Total revenues	<u>6,308,302</u>	<u>4,825,862</u>	<u>3,646,411</u>	<u>(1,179,451)</u>
EXPENDITURES				
Current				
Employment services				
PY 17 and FY 18				
Adult	1,013,367	1,109,303	1,109,303	-
Dislocated worker	171,108	54,333	54,333	-
Youth	468,349	430,321	430,321	-
Administration	171,522	137,959	137,959	-
PY 18 and FY 19				
Adult	1,176,255	1,475,102	980,521	494,581
Dislocated worker	522,899	589,892	212,225	377,667
Youth	507,556	564,663	302,351	262,312
Administration	156,246	214,808	181,939	32,869
Job Center operations	78,120	249,481	237,459	12,022
Total expenditures	<u>4,265,422</u>	<u>4,825,862</u>	<u>3,646,411</u>	<u>1,179,451</u>
Excess of revenues over expenditures	2,042,880	-	-	-
Other financing sources				
Proceeds from debt issuance	-	-	-	-
Net changes in fund balances	2,042,880	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 2,042,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The purpose of these financial statements is to present the financial position and the changes in financial position of the Eastern Area Workforce Development Board (EAWDB). The EAWDB operates the Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) program.

The EAWDB of the State of New Mexico is established in accordance with 29 U.S.C § 2832 of the federal Workforce Investment Act/Workforce Innovation and Opportunity Act of 1998 (WIA/WIOA), 29 U.S.C. § 2801 et seq., and Section 50-14-5, NMSA 1978 Compilation of the New Mexico Workforce Development Act (WDA), Section 50-14-1 et seq., NMSA 1978 Compilation.

The EAWDB of the State of New Mexico was created on April 5, 2000, by the Chief Elected Officials of the Local Governments of the Eastern Plains Council of Governments and the Southeastern New Mexico Economic Development District/Council of Governments.

It shall be the purpose of the EAWDB to set policy for and provide operational oversight of the local workforce investment system geographically comprised of the counties of Union, Harding, Quay, Guadalupe, Curry, De Baca, Roosevelt, Chaves, Lincoln, Otero, Eddy, and Lea, of the State of New Mexico.

The objective of the EAWDB is to carry out its duties and responsibilities according to the federal WIA/WIOA, the New Mexico Department of Workforce Solutions (DWS), and all federal and New Mexico regulations duly promulgated under those acts.

The basic activities authorized by the State of New Mexico (50-14-5, NMSA, 1978) to be carried out by the local board are as follows:

- 1) Advise the state board on issues relating to regional and local workforce development needs;
- 2) Develop and submit to the state board and governor a local five-year workforce plan that shall be updated and revised annually in accordance with the requirements of the federal WIA/WIOA;
- 3) Designate or certify one-stop program operators in accordance with the federal WIA/WIOA;
- 4) Terminate, for cause, the eligibility of the one-stop operator;
- 5) Select and provide grants to youth activity providers in accordance with the WIA/WIOA;
- 6) Identify eligible training and intensive service providers in accordance with the WIA/WIOA;
- 7) Develop a budget subject to approval of the chief elected official;
- 8) Develop and negotiate local performance measurements as described in the WIA/WIOA with the chief elected official and the governor;
- 9) Assist in development of an employment statistics system;
- 10) Ensure linkages with economic development activities;
- 11) Encourage employer participation and assist employers in meeting hiring needs;
- 12) In partnership with the chief elected officials, conduct oversight of local programs of youth activities authorized pursuant to the federal WIA/WIOA and employment and training activities authorized pursuant to that act, and conduct oversight of the one-stop delivery system in the local area;
- 13) Establish as a subgroup, a youth council, appointed by the local board in cooperation with the chief elected official, and
- 14) Prior to submission of the local plan, provide information regarding the following:

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of Entity (Continued)

- a) the local plan
- b) membership
- c) designation and certification of one-stop operators and
- d) the award of grants or contracts to eligible providers of youth activities

The local board shall be appointed in accordance with criteria established by the governor. The EAWDB's board is required to be made up of at least 51% of its members coming from the private sector and shall include representation of education, labor, government, economic development and community-based organizations, and others as appropriate and shall be appointed or ratified by the local chief public official.

In evaluating how to define the EAWDB, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the election of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the EAWDB and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the EAWDB is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units included in the reporting entity.

B. Basic Financial Statements – Government-Wide Financial Statements

The EAWDB's basic financial statements include both government-wide (based on the EAWDB as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic statement) categorize primary activities as either governmental or business type. The EAWDB is a single purpose government entity and has no business-type activities. The government-wide financial statements, the Statement of Net Position, and the Statement of Activities report information on all non-fiduciary activities of an agency.

In the government-wide Statement of Net Position, the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets, receivables, and deferred outflows as well as long-term debt, obligations, and deferred inflows. The EAWDB's net position are reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (employment services) which is otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues,

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements - Government-Wide Financial Statements (Continued)

operating and capital grants. Program revenue must be directly associated with the function (public safety). Program revenues include: 1) charges to applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements for a particular function or segment.

When applicable, the effect of interfund activity is removed from the Statement of Net Position and the Statement of Activities in order to avoid a grossing-up effect on the assets, liabilities, revenues and expenditures.

The net cost by function is normally covered by general revenue. Since the EAWDB only has one program, it does not employ indirect cost allocation. The government-wide focus is more on the sustainability of the EAWDB as an entity and the change in the EAWDB's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the EAWDB's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented with each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The financial transactions of the EAWDB are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

This model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section. Currently, all EAWDB sub-funds are reported as a single General Fund.

The following fund type is used by the EAWDB:

Governmental Funds

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating state-

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement - Fund Financial Statements (Continued)

ments present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are available if collected within the current period or soon enough afterwards to pay liabilities of the current period. The EAWDB considers revenues to be available if collected within sixty days of the end of the fiscal year. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures of fund liabilities.

The EAWDB presents the following type of governmental funds:

General Fund – The General Fund is the general operating fund of the EAWDB. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is comprised of multiple sub-funds associated with separate revenue sources. The General Fund is funded primarily from operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient.

E. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted, and unrestricted.

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

The EAWDB allocates expenses to restricted or unrestricted resources based on the budgeted source of funds. It is the EAWDB's practice to apply restricted resources prior to unrestricted funds when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The EAWDB has no deferred outflows of resources during fiscal year 2019 on the government-wide or fund financials.

STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The EAWDB has no deferred inflows of resources during fiscal year 2019 on the government-wide or fund financials.

G. Fund Balance – Governmental Funds

GASB Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds. Details of the EAWDB's fund balance classifications and policies follows.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). The EAWDB's fund balance is classified under the following GASB Statement No. 54 components:

Nonspendable: Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted: Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government). The EAWDB does not have any restricted fund balance for the year ended June 30, 2019.

Committed: Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The EAWDB does not have any committed fund balance for the year ended June 30, 2019.

Assigned: Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The EAWDB does not have any assigned fund balance for the year ended June 30, 2019.

Unassigned: Unassigned fund balance is the residual classification for the general fund. The EAWDB does not currently have a minimum fund balance policy.

Spending policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the EAWDB considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the EAWDB considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgets

The EAWDB prepares a budget by funding stream based upon the allocation by the State Workforce Development Board to be approved by the EAWDB's Board. The State Workforce Development Board provides the EAWDB with a breakdown of the funds allocated to that region each year for adult, dislocated worker, state set aside, youth and administration activities. Those allocations are based upon the State Workforce Development Board's approved state plan. The EAWDB cannot exceed expenditures by adult, dislocated worker, youth, state set aside, or administration funding streams. Allocated funds not drawn in the first year may be drawn in the next year.

Budgets are prepared on the modified accrual basis of accounting. The EAWDB and the Department of Finance and Administration exercise legal level budget control at the fund level for general government functions. The budgets of all individual funds may not be legally over expended. Any adjustments to the State Board's allocations made by the EAWDB must be first approved by the State Workforce Development Board but are not required to be approved by the Department of Finance and Administration.

Any federal funds that have been used for any purpose not within the purposes of the Workforce Investment Act/Workforce Innovation and Opportunity Act shall be reimbursed to the State Workforce Investment Board. Also, any funds allocated not used within two years of the original allocation date revert back and are not allowed to be drawn down after that period.

I. Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

J. Receivables

In accordance with Article IV Section 32 of the New Mexico Constitution [Remission of debts due state or municipalities], the EAWDB does not write-off amounts owed to it by any individual, association, company, or other agency. The EAWDB maintains a list of all amounts owed to it to ensure no amounts are erroneously written off.

K. Federal Grants Receivables (Unearned Revenue)

All federal grants are on a reimbursement basis. Various reimbursement procedures are used for federal awards received by the EAWDB. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal yearend represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or unearned revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Federal Grants Receivables (Unearned Revenue) (Continued)

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

L. Allowances

The EAWDB expects to receive the full amount of grants receivable for funds requested from the Office of Workforce Development and Training and others and, therefore, had not set up any allowance for any uncollectible receivables.

M. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the EAWDB as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized on the government-wide financial statements. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grant made by the EAWDB to other agencies is accounted for in capital assets. Purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Type of Asset</u>	<u>Estimated Useful Life</u>
Leasehold improvements	5 years
Vehicles	5 years
Software	5 years

However, assets over the past years have been purchased by contractors and subrecipients as budgeted in their contracts and award agreements. These assets have been recorded on the contractors' and subrecipients' books and depreciation has been recorded on their books accordingly. The contractors and subrecipients are under the understanding that should the program end or their agreements with the EAWDB end, those assets will need to be returned to the EAWDB's awarding program.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. DEPOSITS AND INVESTMENTS

The EAWDB's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of the EAWDB funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The EAWDB is also allowed to invest in United States Government obligations. All funds of the EAWDB must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the EAWDB. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 100% of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required to have an aggregate value equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

Custodial credit risk is risk that in the event of bank failure, the EAWDB's deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2019, none of EAWDB's bank balance of \$196,904 was exposed to custodial risk.

Deposits as of June 30, 2019 were held in Wells Fargo Bank in the name of the EAWDB. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2019, the carrying amount of the EAWDB's deposits was \$132,353.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The following is a listing of deposits of public money held by the EAWDB, by the depositing financial institutions as of June 30, 2019:

Bank/Account Name	Type	Bank Balance	Outstanding Items	Book Balance
Wells Fargo Bank NA*	Demand Deposit	\$ 196,904	\$ (64,551)	\$ 132,353
FDIC insurance		<u>(196,904)</u>		
Amount uninsured		<u>\$ -</u>		

*Denotes interest bearing

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2019, the amount of the EAWDB's bank balance of that was exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging Bank's trust department not in EAWDB's name	<u>\$ -</u>
--	-------------

Due to restriction on WIA/WIOA funds by the granting agency monies deposited into the account of the EAWDB and any program revenue earned by the EAWDB are not allowed to be invested.

NOTE 3. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	2018	Additions	Deletions	2019
Capital Assets				
Software	\$ 6,401	\$ -	\$ -	\$ 6,401
Subtotal depreciable assets	<u>6,401</u>	<u>-</u>	<u>-</u>	<u>6,401</u>
Accumulated Depreciation				
Software	(6,401)	-	-	(6,401)
Subtotal accumulated depreciation	<u>(6,401)</u>	<u>-</u>	<u>-</u>	<u>(6,401)</u>
Total net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Current year depreciation expense for the year ended June 30, 2019 was \$0. All of EAWDB's equipment has been purchased under government contracts and are restricted as to their use as designated by granting agencies.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 4. RECEIVABLES

The EAWDB receivables consist of the following at June 30, 2019:

Grant receivables	
Grant receivables from DWS	<u>\$ 255,284</u>
Other receivables	
Intergovernmental funding agreement	<u>89,119</u>
Total other receivables	<u>89,119</u>
Total receivables	<u><u>\$ 344,403</u></u>

NOTE 5. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the EAWDB kept its budgets on the modified accrual basis of accounting during the year ending June 30, 2019, there was no need to reconcile the budget financial statements to fund financial statements.

NOTE 6. COMPENSATED ABSENCES

Qualified employees are entitled to accumulate personal leave at the rate of 160 hours per year. A maximum of 24 hours of such accumulated annual leave may be carried forward into the beginning of the fiscal year and any excess is lost. When employees terminate, they are not compensated for accumulated unpaid personal leave.

NOTE 7. RISK MANAGEMENT

The EAWDB is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the EAWDB carries commercial insurance. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. As of June 30, 2019, the EAWDB did not have any probable risk of loss.

NOTE 8. RELATED PARTY TRANSACTIONS

EAWDB board members include community leaders who are involved in and concerned with providing opportunities for employment in the areas serviced by the EAWDB. The area partners, one-stop providers, and training providers are required to have representation on the EAWDB's Board of Directors in accordance with New Mexico State Statutes, 1978, 15-14-4D. These contracts were consummated at arm's length for each of the activities.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 8. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended June 30, 2019, purchases for goods and services were made by the EAWDB with companies or organizations with which various board members are associated with as follows:

Board Member	Organization	EAWDB	Amount
Becky Rowley	Clovis Community College	ITA Training	\$ 258,007
Todd DeKay and Benito Gonzales	ENMU	ITA Training	161,646
John Mulcahy	Roswell Chaves County Econ Dev	Facility Rental	<u>4,368</u>
Total			<u><u>\$ 424,021</u></u>

There were no amounts due to/from these parties and EAWDB as of June 30, 2019.

NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information for individual funds, including:

- A. No funds maintained a deficit fund balance as of June 30, 2019.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2019.

NOTE 10. CONCENTRATION

The EAWDB depends on financial resources flowing from, or associated with, the Federal Government. Because of this dependency, the EAWDB is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal laws and Federal appropriations.

NOTE 11. TAX ABATEMENTS

EAWDB is not subject to any tax abatements.

NOTE 12. DEFINED CONTRIBUTION RETIREMENT PLAN

On July 1, 2018, the Board adopted a 457 plan (Plan). The Plan allows employees to defer a portion of their annual compensation pursuant to Section 457 of the Internal Revenue Code. The EAWDB contributes a 100% match up to 5% of the employee's salary. All employees are eligible to participate in the Plan after 30 days of employment. Employee and employer contributions to the Plan for the year ended June 30, 2019 were \$4,637 and \$4,637, respectively.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**

NOTE 13. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the Statement of Net Position date but before the financial statements are issued. The EAWDB recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Net Position, including the estimates inherent in the process of preparing the financial statements. The EAWDB's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Net Position, but arose after the Statement of Net Position date and before financial statements are available to be issued. The EAWDB has evaluated subsequent events through November 27, 2019 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Passed through to Subrecipients	Grant Award Expended
U.S. Department of Labor passed through				
New Mexico Department of Workforce Solutions				
WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	18-002-PY17/19-002-PY18	\$ 503,772	\$ 2,306,326
WIA/WIOA Youth Activities	17.259	18-002-PY17/19-002-PY18	658,390	808,486
WIA/WIOA Dislocated Worker Formula Grant	17.278	18-002-PY17/19-002-PY18	166,956	294,140
Total WIA/WIOA cluster			<u>1,329,118</u>	<u>3,408,952</u>
Total expenditures			<u>\$ 1,329,118</u>	<u>\$ 3,408,952</u>

*See Notes to Schedule of Expenditures
of Federal Awards.*

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Eastern Area Workforce Development Board (EAWDB) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the EAWDB, it is not intended to and does not present the financial position or changes in financial position of the EAWDB.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

EAWDB had the following subrecipients during the year ended June 30, 2019:

<u>Subrecipient</u>	<u>CFDA</u>	<u>Amount</u>
Eastern New Mexico University - Ruidoso	17.258, 17.278	\$ 670,728
Region IX Education Cooperative	17.259	<u>658,390</u>
		<u>\$ 1,329,118</u>

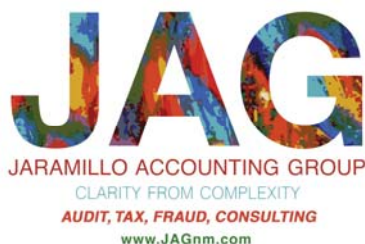
NOTE 4. NON-CASH FEDERAL ASSISTANCE

None

NOTE 5. INDIRECT COST RATE

The EAWDB records the indirect cost rate at actual, not to exceed 10%.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Eastern Area Workforce Development Board
Roswell, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the general fund, and the general fund budgetary comparison of the Eastern Area Workforce Development Board (EAWDB), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise EAWDB's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the EAWDB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EAWDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the EAWDB's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the

The Board of Directors
Eastern Area Workforce Development Board
and Mr. Brian Colón, Esq.
New Mexico State Auditor

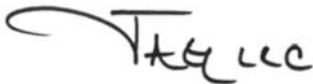
accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies as items 2019-001, 2019-002, and 2019-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EAWDB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* as item 2019-003.

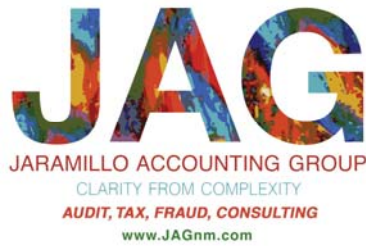
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 27, 2019

FEDERAL FINANCIAL ASSISTANCE



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Eastern Area Workforce Development Board
Roswell, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Eastern Area Workforce Development Board's (the EAWDB) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the EAWDB's major federal programs for the year ended June 30, 2019. The EAWDB's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the EAWDB's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the EAWDB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the EAWDB's compliance.

The Board of Directors
Eastern Area Workforce Development Board
and Mr. Brian Colón, Esq.
New Mexico State Auditor

Opinion on Each Major Federal Program

In our opinion, the EAWDB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

EAWDB's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plan. EAWDB's response was not subjected to the auditing procedures applied in the audit of the compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the EAWDB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the EAWDB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the EAWDB's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

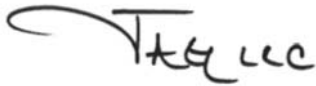
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control

The Board of Directors
Eastern Area Workforce Development Board
and Mr. Brian Colón, Esq.
New Mexico State Auditor

over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004, that we consider to be a significant deficiency.

EAWDB's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. EAWDB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 27, 2019

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

2018-001	Check Fraud perpetrated on the Organization – Other Matter	Resolved
2018-002	Financial Close and Reporting	Repeated and modified
2018-003	Violation of Open Meeting Act	Repeated and modified

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor’s report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Non-compliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditor’s report issued on compliance for major programs? | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | Yes |
| 4. Identification of major programs as noted below: | |

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Funding Source</u>
17.258	Workforce Investment Act/ Workforce Innovation and Opportunity Act: Adult	U.S. Dept. of Labor passed through the NM Dept. of Workforce Solutions
17.259	Youth	
17.278	Dislocated Worker	

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between Type A and B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 (PREVIOUSLY REPORTED AS 2018-002) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED)

TYPE OF FINDING: Significant Deficiency

CONDITION

The financial close and reporting process during the year and at year-end was not completed timely or accurately.

- During testing it was discovered that certain bank reconciliations completed during the year were not completed on a timely basis. The year-end bank reconciliation was completed on October 6, 2019.
- Immaterial accounts payable amounts were not included in year-end payables.
- Additionally, another indicator that financial close and reporting was not completed timely during the year, we noted in testing performed on disbursements that penalties and interest were paid to the IRS totaling over \$1,800 for late filing of payroll reports.

EAWDB has made significant progress in implementing procedures to resolve this finding in the current year.

CRITERIA

There are several key underlying accounting standards to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal control weaknesses according to Statement on Auditing Standards (SAS) AU Section 325 Communication of Internal Control Related Matters Identified in an Audit, which includes:

- The auditor cannot be a part of a client's internal control because becoming part of a client's internal control impairs auditor independence.
- The auditor's work is independent of the client's internal control over financial reporting and the auditor cannot be a compensating control for the client.
- Financial reporting is considered a significant process of internal control and should be performed by the Organization' staff or under the supervision of the Organization's staff.

The auditing standards require the auditor to obtain the auditees' agreement to correct material misstatements in their financial statements before the financial statements are issued. This agreement is fulfilled up front in the engagement letter by getting the auditee to agree to doing this. Additionally, at the end of the audit, the auditee also fulfills this obligation when they sign the audit representation letter.

To achieve this, the auditee must provide the auditor with trial balances that are free of material misstatement and all receivables, payables and deferred revenue should be recorded. The auditee must fully understand how all the adjustments flow through the trial balances that link into the final product (the financial statements).

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY REPORTED AS 2018-002) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

EFFECT

EAWDB's account balances may not be reflected accurately, and EAWDB has made itself more susceptible to the possibility of financial reporting or management decision errors. Unnecessary and potentially non-reimbursable expenditures could occur.

CAUSE

During the fiscal year under audit, EAWDB had difficulties with the server's operating software and the accounting software. The accounts receivable function was not working correctly, resulting in delays in completing bank reconciliations and difficulty in preparing the accounts receivable balance at year end for the audit. The server's operating software and the accounting software were upgraded to the current version. Final adjustments were determined and posted to get to appropriate amounts to report in the financial statements.

RECOMMENDATION

The Organization's financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed to maintain and systematically adjust the Boards' general ledger.
- Preparing audit documents in the format of the financial statement requirements.
- Preparing the SEFA in compliance with the Uniform Grant Guidance, related compliance supplements and grant agreements.
- Modify existing procedures to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the Boards' transactions.
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided.
- Reviewing in detail the financial statements and related reports and not releasing them to the Office of the State Auditor until completely accurate.
- Work with vendors to timely receive billings for services prior to year-end.

MANAGEMENT RESPONSE

Corrective Action: Management had begun to see the issues as a concern prior to the year and decided to terminate the Board's contract with the Fiscal Agent and hire staff instead. The new Finance Manager and the Operations Manager are working together to update policy and procedures related to the issues listed above. We expected to have updated policies and procedures by April 2019; however, significant problems with the accounting software, specifically the accounts receivable module due to our old server created some delay in processing bank reconciliations. The receipt of funds through the accounts receivable module was not accurately posting to cash. We discovered that Abila was no longer supporting the software version we had on our server so in trying to update the server to new software it was discovered that the server computer itself could not handle the newest software since the computer was 10 years old. Accounting policies were updated in March 2019 and the server was replaced by our IT department in September 2019 and our accounting system was updated also. Year-end adjustments for the 2019 were significantly less than the prior year. Full year-end closing processes will be implemented at the end of the next fiscal year.

Due Date of Completion: June 30, 2020

Responsible Party: Finance Manager and Operations Manager

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 SEGREGATION OF DUTIES

TYPE OF FINDING: Significant Deficiency

CONDITION

We noted a lack of segregation of duties in the accounting function during the fiscal year. The Financial Manager is responsible for preparing the bank reconciliations for the Board. Due to staffing changes during the year, the Financial Manager also handled the cash receipting functions.

CRITERIA

The codification of Statements on Auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management’s responsibility. Management is responsible for adopting strong accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

Per the Board Financial Policy and Procedures for Bank Reconciliations, “the employee responsible for the reconciliation should not be responsible for cash receipts or cash disbursements of the WIA program”.

EFFECT

Without segregation of duties in key control processes, there is an increased risk of fraudulent activity and an increased risk of errors that may not be detected timely.

CAUSE

Due to limited staffing, the Board relies on the expertise of a limited number of individuals to perform many of the accounting duties. An employee was having difficulty performing the cash receipting function and the Financial Manager had to step in to accurately perform the cash receipting function.

RECOMMENDATION

The Board has completed a checklist of tasks performed by all positions and should reassign tasks to the extent possible, so that segregation of duties is appropriate.

MANAGEMENT RESPONSE

Corrective Action: Management had begun to see the issues as a concern after the year ended and decided to reallocate duties. The Finance Manager and the Operations Manager have hired staff to begin on December 2, 2019 to correct the problem.

Due Date of Completion: December 31, 2019

Responsible Party: Finance Manager and Operations Manager

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-003) VIOLATION OF OPEN MEETING ACT (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

CONDITION

EAWDB had violations of the Open Meeting Act during fiscal year 2019 as follows:

1. NMSA 1978 10-15-1 (G) Minutes – not enough members were present to create a quorum for the September 2018 meeting. The June 2018 minutes were incorrectly approved at the September 2018 meeting. The minutes were approved in December 2018, the next meeting where a quorum was present. The approval of the minutes was part of approval of all the actions taken at the September meeting. The June minutes should have been read and approved in December.
2. NMSA 1978 10-15-1 (B) Quorum – based on the minutes there were not enough members to make a quorum in September 2018. Business was conducted to include the approval of June 2018 minutes, and action (voting and approval) of several action items. The approval of the actions taken were approved by the board in the December 2018 meeting. There was no action taken to properly approve the June 2018 minutes. There should not be any actions taken when a quorum does not exist.

EAWDB has made progress in implementing procedures to resolve this finding in the current year.

CRITERIA

According to the NMSA 1978, Chapter 10 Article 15, these requirements must be complied with for open meetings. All meetings of a quorum of members of any board held for the purpose of formulating public policy, rules, regulations, discussing public business or for the purpose of taking any action within the authority of any board. Agendas should include an update of new additions and departures from EAWDB's Board to allow an outside party to determine that a quorum exists and that all EAWDB Board members are accounted for.

Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present.

EFFECT

No resolution, rule, regulation, ordinance or action of any board, commission, committee or other policy making body shall be valid unless taken or made at a meeting held in accordance with the requirements of the Open Meeting Act.

CAUSE

EAWDB had a prior year finding due to the lack of a quorum in FY 2018, which was not discovered and reported to the Board until November 2018 (fiscal year 2019). The current year situation noted in the prior audit was not rectified until after the auditor's brought it to EAWDB's attention.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-003) VIOLATION OF OPEN MEETING ACT (REPEATED AND MODIFIED (CONTINUED))

RECOMMENDATION

The EAWDB Board should ensure that minutes include all members present and absent and account for the total number of EAWDB Board members each quarter. Minutes need approval by a quorum of members. A quorum of members needs to present to approve any policies or take action on discussions.

MANAGEMENT'S RESPONSE

Corrective Action: The EAWDB has reviewed processes and procedures and implemented changes effective December 2018 to ensure compliance with the Open Meeting Act. Additionally, Board staff attended Open Meeting Act along with inspection of Public Records Act training hosted by the NM Attorney General's office in January 2019.

Due Date of Completion: January 2019

Responsible Party: Operations Manager

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III – FEDERAL AWARD FINDINGS

2019-004 PROCUREMENT AND PURCHASING

TYPE OF FINDING: Significant Deficiency and Non-compliance

Federal Program Information:

Title: WIA/WIOA Cluster

Funding Agency: U.S. Department of Labor

Pass-Through Entity: New Mexico Department of Workforce Solutions

CFDA Numbers: 17.258, 17.259, 17.278

Award Year: Federal Program Year 2017 and 2018

Questioned Costs: None

CONDITION

We selected forty-five expenditures to test for both controls and compliance under Uniform Grant Guidance; forty items with a value under \$10,000 and five items above \$10,000. We noted the following deficiencies:

Purchase orders did not exist for most purchases reviewed.

In three instances, purchases were made with a vendor-provided professional services contract where an internally-generated professional services contract should have been used in order to ensure compliance with federal and state compliance requirements. In each case, the vendor's contract was the only contract executed. The vendor's contract did not include federal and state compliance requirements.

In two instances, management failed to obtain quotes for services, and did not have written documentation in order to support the assertion that the Board received the most advantageous pricing. These two purchases amounted to \$37,393.

CRITERIA

Per the Board Financial Policy and Procedures for Payments and Disbursements, a purchase order must be completed to procure goods and or services. Preparing a Board initiated contract for professional services could ensure compliance with federal and state statutes.

According to the NMSA 1978, Section 13-1-30, expenditures of federal funds must be done in accordance with federal laws and regulations. Per 2 CFR 200.218, the Board must maintain oversight in accordance with terms, conditions, and specifications of their contracts or purchase orders.

In addition, the Board must maintain records to detail the history of procurement. These documents include the rationale for the method of procurement and the basis for the contract price. Per 2 CFR 200.213 suspension and debarment needs to be reviewed and documented.

EFFECT

The Board is not in compliance with the federal guidance for purchasing. The Board may have not obtained the best price for the goods and services received during the year.

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III – FEDERAL AWARD FINDINGS (CONTINUED)

2019-004 PROCUREMENT AND PURCHASING (CONTINUED)

CAUSE

The Board does not use purchase orders unless requested by the vendor. The Board did not always document the written determinations as to how the vendors were selected. The Board does not use an internally created professional service contract for purchases of services to ensure compliance with state and federal statutes.

RECOMMENDATION

The EAWDB should ensure that purchasing is done in compliance with Board Policy and federal and state statutes. The Board should update the policies related to current federal procurement requirements as certain language and procurement thresholds have recently been revised.

MANAGEMENT'S RESPONSE

Corrective Action: The EAWDB has been working to implement a new Purchase Order procedure, including updated policies and procedures to ensure the policy is met and will continue to work toward full implementation by April 1, 2020. The two procurements totaling \$37,393 include an invoice for rooms, facility rental, and banquet services for a week-long training for the entire area staff averaging 60 people per day. While best pricing was an important factor, the location, availability and ability to provide the required services was the primary determination for selecting the vendor. The second invoice was for professional training services and the necessary education and skills were the primary determination along with the comparison to prior paid training services to determine if charges were appropriate. Neither procurement was awarded based upon best pricing. The basis for determining the award was provided. The EAWDB will provide Award Determination letters in the future and will maintain documentation supporting the award. The EAWDB will develop an internal professional services contract for future professional service awards.

Due Date of Completion: April 2020

Responsible Party: Finance Manager and Operations Manager

**STATE OF NEW MEXICO
EASTERN AREA WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held in a closed session on November 26, 2019 and the contents of this report were discussed. The following individuals were in attendance:

Eastern Area Workforce Development Board

Judith Cooper, Chairperson
Odessa Hamilton, Financial Manager
Tiffany Roth, Operations Manager

Jaramillo Accounting Group (JAG)

Scott A. Eliason, CPA, Partner
Steve Holliday, CPA, Senior

JAG assisted in the preparation of the financial statements presented in this report. The EAWDB's management has reviewed and approved the financial statements and related notes and supplementary information and believe that their records adequately support them.

OTHER INFORMATION

EASTERN AREA WORKFORCE DEVELOPMENT BOARD

A Proud Partner of the American Job Center Network

CORRECTIVE ACTION PLAN

November 27, 2019

U.S. Department of Labor

Eastern Area Workforce Development Board respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

**Jaramillo Accounting Group LLC (JAG)
4700 Lincoln Rd. NE
Albuquerque, NM 87109**

Audit period:

June 30, 2019

The findings from the June 30, 2019 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT

SIGNIFICANT DEFICIENCY

2019-001 (PREVIOUSLY REPORTED AS 2018-002) FINANCIAL CLOSE AND REPORTING

RECOMMENDATION

The Organization' financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed to maintain and systematically adjust the Boards' general ledger.
- Preparing audit documents in the format of the financial statement requirements.
- Preparing the SEFA in compliance with the Uniform Grant Guidance, related compliance supplements and grant agreements.
- Modify existing procedures to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the Boards' transactions.
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided.
- Reviewing in detail the financial statements and related reports and not releasing them to the Office of the State Auditor until completely accurate.
- Work with vendors to timely receive billings for services prior to year-end.

**Administrative Office: PO Box 2546, Roswell, NM 88201
Phone: 505-343-7612**

MANAGEMENT RESPONSE

Corrective Action: Management had begun to see the issues as a concern prior to the year and decided to terminate the Board’s contract with the Fiscal Agent and hire staff instead. The new Finance Manager and the Operations Manager are working together to update policy and procedures related to the issues listed above. We expected to have updated policies and procedures by April 2019; however, significant problems with the accounting software, specifically the accounts receivable module due to our old server created some delay in processing bank reconciliations. The receipt of funds through the accounts receivable module was not accurately posting to cash. We discovered that Abila was no longer supporting the software version we had on our server so in trying to update the server to new software it was discovered that the server computer itself could not handle the newest software since the computer was 10 years old. Accounting policies were updated in March 2019 and the server was replaced by our IT department in September 2019 and our accounting system was updated also. Year-end adjustments for the 2019 were significantly less than the prior year. Full year-end closing processes will be implemented at the end of the next fiscal year.

Due Date of Completion: June 30, 2020

Responsible Party: Finance Manager and Operations Manager

2019-002 SEGREGATION OF DUTIES

RECOMMENDATION

The Board has completed a checklist of tasks performed by all positions and should reassign tasks to the extent possible, so that segregation of duties is appropriate.

MANAGEMENT RESPONSE

Corrective Action: Management had begun to see the issues as a concern after the year ended and decided to reallocate duties. The Finance Manager and the Operations Manager have hired staff to begin on December 2, 2019 to correct the problem.

Due Date of Completion: December 31, 2019

Responsible Party: Finance Manager and Operations Manager

OTHER NON-COMPLIANCE

2019-003 (PREVIOUSLY REPORTED AS 2018-003) VIOLATION OF OPEN MEETING ACT

RECOMMENDATION

The EAWDB Board should ensure that minutes include all members present and absent and account for the total number of EAWDB Board members each quarter. Minutes need approval by a quorum of members. A quorum of members needs to present to approve any policies or take action on discussions.

MANAGEMENT’S RESPONSE

Corrective Action: The EAWDB has reviewed processes and procedures and implemented changes effective December 2018 to ensure compliance with the Open Meeting Act. Additionally, Board staff attended Open Meeting Act along with inspection of Public Records Act training hosted by the NM Attorney General’s office in January 2019.

Due Date of Completion: January 2019

Responsible Party: Operations Manager

FINDINGS – FEDERAL AWARD

SIGNIFICANT DEFICIENCY AND NON-COMPLIANCE

2019-004 PROCUREMENT AND PURCHASING

RECOMMENDATION

EAWDB should ensure that purchasing is done in compliance with Board Policy and federal and state guidance. The Board should update the policies related to current federal procurement requirements as certain language and procurement thresholds have recently been revised.

MANAGEMENT'S RESPONSE

Corrective Action: The EAWDB has been working to implement a new Purchase Order procedure, including updated policies and procedures to ensure the policy is met and will continue to work toward full implementation by April 1, 2020. The two procurements totaling \$37,393 include an invoice for rooms, facility rental, and banquet services for a week-long training for the entire area staff averaging 60 people per day. While best pricing was an important factor, the location, availability and ability to provide the required services was the primary determination for selecting the vendor. The second invoice was for professional training services and the necessary education and skills were the primary determination along with the comparison to prior paid training services to determine if charges were appropriate. Neither procurement was awarded based upon best pricing. The basis for determining the award was provided. The EAWDB will provide Award Determination letters in the future and will maintain documentation supporting the award. The EAWDB will develop an internal professional services contract for future professional service awards.

Due Date of Completion: April 2020

Responsible Party: Finance Manager and Operations Manager

If the US Department of Labor has questions regarding this plan, please call me at 505-343-7612.

Sincerely yours,



Tiffany Roth
Operations Manager