

**STATE OF NEW MEXICO  
NORTHERN AREA LOCAL WORKFORCE  
DEVELOPMENT BOARD**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**JUNE 30, 2007**



**KARDAS • ABEYTA • WEINER P.C.**  
Certified Public Accountants

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Official Roster

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**Board Members**

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Moise Medina	Chairman
Robert Anaya	Vice Chairman
Sandy Sandoval	Planning & Budget Committee Chair
Lou Baker	Planning & Budget Committee Vice-Chair
Carlos Gonzales	Secretary
Ralph Vigil	One Stop Committee Chair
Joe Rodman	Youth Council Chair
Jim Berrigan	Rules Committee Chair
Macario Juarez	Performance Committee Chair
Albert Delgado	Member
Ann Holl	Member
Arthur Cruz	Member
Bennie Cohoe	Member
Charles Pacheco	Member
Dennis Cruz	Member
Dr. Emily Salazar	Member
Ernie Quintana	Member
Gilbert Foster	Member
Herb Mosher	Member
Iona Leriou	Member
James West	Member
Jolene Nelson	Member
Luis Padilla	Member
Pilar Lorenzo	Member
Richard Bustos	Member
Sondra Match	Member
Vince Howell	Member

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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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Jerry Gaussoin, Executive Director  
Members of the Board  
State of New Mexico,  
Northern Area Local Workforce Development Board  
Hector H. Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities and major fund of the Northern Area Local Workforce Development Board (Board), as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to determine the Board's capital assets as of June 30, 2007. The Board engaged the New Mexico Department of Labor to be its fiscal agent for the years ended June 30, 2001 through June 30, 2003. The Department did not maintain a fixed asset listing on the behalf of the Board representing purchases of equipment for that period. We were not able to satisfy ourselves as to the carrying value of capital assets by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the capital assets, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund for the Board as of June 30, 2007, and the changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The *schedule of cash accounts and investments* in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kardas, Abeyta & Weimer, P.C.

Albuquerque, New Mexico  
January 16, 2009

## **OVERVIEW**

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Our discussion and analysis of the Northern Area Local Workforce Development's (NALWDB) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2007. It should be read in conjunction with the financial statements, which follow this discussion and analysis. This document will assist the reader in the following:

- Highlight significant financial issues;
- Provide an overview of the NALWDB's financial activity;
- Identify changes in the NALWDB's financial position;
- Identify any material deviation from the approved budget; and
- Identify issues and concerns.

## **USING THIS ANNUAL REPORT**

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This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the NALWDB as a whole and present a longer-term view of its finances. Financial data presented in these financial statements is for the activities of the NALWDB as a single NALWDB.

### Government-Wide Financial Statements:

The financial statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year revenues and expenses are reported regardless of when cash is received or paid.

The government-wide financial statements include all activities of the NALWDB that arise from providing training to Workforce Investment Act (WIA) activities such as youth, dislocated workers and adults. General fixed assets, formerly reported as separate account groups, are included in these financial statements. WIA funds from the Governor's Office of Workforce Training and Development (OWTD) finance all of these activities. The general fund is included in the government-wide financial statements.

### Fund Financial Statements:

The General Fund is considered to be a major fund because only individual governmental or individual enterprise funds can be considered for major fund status.

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**USING THIS ANNUAL REPORT (Continued)**

Governmental funds – All of the NALWDB's basic services are reported in the governmental fund, which focus on the establishment of a grant agreement with OWTD and the expenditures of this money in accordance with Office of Management Circular A-87. Funds not expended or encumbered at the year-end do not revert to the state general fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The difference between governmental activities and governmental fund are reconciled.

**THE NALWDB AS A WHOLE**

The NALWDB is responsible for the implementing and sustaining WIA activities for 10 counties in northern New Mexico, which consists of Cibola, Colfax, Los Alamos, McKinley, Mora, Rio Arriba, San Juan, San Miguel, Santa Fe, and Taos Counties .

Condensed Statement of Net Assets  
 Table - A1

	Governmental Activities June 30, 2006	Governmental Activities June 30, 2007
Current Assets	\$ 703,300	\$ 407,816
Capital and Non-Current Assets (Net of Depreciation)	356	-
<b>TOTAL ASSETS</b>	<u>703,656</u>	<u>407,816</u>
Current Liabilities	706,549	409,508
Long-term Liabilities	24,748	22,790
<b>TOTAL LIABILITIES</b>	<u>731,297</u>	<u>432,298</u>
Net Assets:		
Invested in Capital Assets	356	-
Unrestricted	(27,997)	(24,482)
<b>TOTAL NET ASSETS</b>	<u>\$ (27,641)</u>	<u>\$ (24,482)</u>



**THE NALWDB AS A WHOLE (Continued)**

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As summarized in Table A-1, Net Assets of (\$24,482) represents the difference between assets and liabilities of the NALWDB. The (\$24,482) balance presented in unrestricted net assets means the Board has received advanced monies that still needs to be spent. The estimated future cost of compensated absences will be funded and paid from future grant fundings. Compensated absences represent unused accrued leave time computed at current pay rates.

Condensed Statement of Activity  
 Table - A2

	Governmental Activities <u>June 30, 2006</u>	Governmental Activities <u>June 30, 2007</u>
Revenues:		
Operating grants and contributions	\$ 4,255,247	\$ 4,099,999
TOTAL REVENUES	<u>4,255,247</u>	<u>4,099,999</u>
TOTAL EXPENSES FOR NALWDB	<u>4,262,900</u>	<u>4,096,840</u>
Decrease in Net Assets	(7,653)	3,159
Beginning of Year, Net assets	49,383	(27,641)
Net assets, restated	(69,371)	-
End of Year, Net assets	<u>\$ (27,641)</u>	<u>\$ (24,482)</u>

The NALWDB's total expenditures for government-type activities during the fiscal year were \$4,096,840 and include depreciation and an accrual for compensated absences.

**ANALYSIS OF FINANCIAL POSITION**

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The NALWDB's receives 100% of its governmental funds from governmental grant funding. These funds are expended by the NALWDB based on a budget submitted and approved by the NALWDB's Board of Directors. The financial position of the NALWDB has remained stable as a result of this year's operations.

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**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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The NALWDB maintains one governmental fund. The governmental fund is a governmental grant funded by OWTD and the expenditures of this money are in accordance with a budget and OMB Circular A-87.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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The NALWDB operates one governmental fund in which all activity related to Workforce Investment Act is recorded. The following financial statements present the financial position and results of operations for the governmental activities. Funding for the governmental funds is \$4,099,094 from the grant funding from OWTD.

Governmental funds expenditures totaled \$4,099,094 and differs from the government-wide expenses of \$4,096,840 by the items as follows:

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
Governmental fund expenditures	\$ 4,250,190	\$ 4,099,094
Increase in liability for compensated absences	12,101	(2,610)
Excess of depreciation over capital outlay	609	356
NALWDB government-wide expenses	<u>\$ 4,262,900</u>	<u>\$ 4,096,840</u>

The Board was initially granted funding for the 2007 fiscal year based upon anticipated approval of funding from the U.S. Congress, but due to federal budget cuts, the Board did not realize the additional funding and did not meet the budget expectations.

**CAPITAL ASSET ADMINISTRATION**

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Total capital investment for the fiscal year ended 2007 totals \$0. The NALWDB has recognized depreciation for these assets during the fiscal year of \$356. Total accumulated depreciation by restating assets values for current year presentation is \$3,048 at June 30, 2007.

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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The funding to be made available during Program Year (PY) 2006-07 will result from a Workforce Investment Act (WIA) contract between the NALWDB and the State Administrative Entity (SAE), acting on behalf of the Governor of New Mexico, to conduct activities for Adults, Dislocated Workers, and Youth. These funds have been yearly reduced per action of Congress and the U.S. Department of Labor. A small amount of funding may also have resulted from unexpended funds from NALWDB contracts with Service Providers. These two sources will comprise the available budget for PY 07-08. A significant decrease in funding (roughly 13%), combined with an ever continuing decrease in employment opportunities, continue to make it difficult to meet the federally required Performance Standards with an increasing pool of client demand for skills training and a decreasing available job market.

### **CONTACTING THE NALWDB'S FINANCIAL MANAGEMENT**

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The financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the NALWDB's finances and to demonstrate the NALWDB's accountability for the funds it receives. If you have any questions about this report or need additional financial information contact:

Northern Area Local Workforce Development Board  
5 Bisbee Court, Suite 104  
Santa Fe, NM 87508  
(505) 986-0374  
nalwdb.nm.org

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June 30, 2007

**Assets:**

**Current Assets:**

Cash and cash equivalents	\$ 358,941
Grant and other receivables	48,875
Total Current Assets	<u>407,816</u>

**Noncurrent Assets**

Capital assets, net of accumulated depreciation, Note C	-
Total Noncurrent Assets	<u>-</u>

**Total Assets** \$ 407,816

**Liabilities:**

**Current Liabilities**

Accounts payable	\$ 17,936
Grants Payable	1,694
Deferred income	370,615
Accrued salaries and benefits	11,666
Compensated absences payable, Note D	
Due within one year	<u>7,597</u>
Total Current Liabilities	<u>409,508</u>

**Noncurrent Liabilities**

Compensated absences payable, Note D	
Due after one year	<u>22,790</u>
Total Noncurrent Liabilities	<u>22,790</u>

**Total Liabilities** 432,298

**Net Assets:**

Invested in capital assets	-
Unrestricted	<u>(24,482)</u>
Total Net Assets	<u>(24,482)</u>

**Total Liabilities and Net Assets** \$ 407,816

**For The Year Ended June 30, 2007**

Functions/Programs	Expenses General Operations	Program Revenues Operating Grants and Contributions	Governmental Activities Net (Expenses) Revenues
Primary government			
Governmental activities			
10% State wide	\$ 277,287	\$ 277,287	\$ -
25% Funds	55,635	55,635	-
5% Funds	23,929	23,929	-
Administration	331,566	334,176	2,610
Adult services	1,637,107	1,637,107	-
Dislocated worker	741,649	741,649	-
Youth services	1,029,311	1,029,311	-
Depreciation Expense	356	-	(356)
Interest income		905	905
	\$ 4,096,840	\$ 4,099,999	3,159
<b>General Revenues:</b>			-
<b>Change in Net Assets</b>			3,159
<b>Net Assets:</b>			
Beginning of Year			(27,641)
End of Year			\$ (24,482)

**June 30, 2007**

	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 358,941
Grant and other receivables	48,875
Total Assets	<u>\$ 407,816</u>
<b>Liabilities:</b>	
Accounts payable	\$ 17,936
Grants Payable	1,694
Deferred income	370,615
Accrued salaries and benefits	11,666
Total Liabilities	<u>401,911</u>
<b>Fund Balance</b>	
Unreserved	5,905
Total Liabilities and Fund Balance	<u>\$ 407,816</u>

**Amounts reported for governmental activities in the statement of net assets are different because:**

<b>Fund Balances - Government Funds</b>	<b>\$ 5,905</b>
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(30,387)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	-
<b>Net Assets of Governmental Activities</b>	<u><b>\$ (24,482)</b></u>

**NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**

**(Exhibit 4) 14**

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**For The Year Ended June 30, 2007**

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	<u>General Fund</u>
<b>Revenues:</b>	
Federal grant revenue	\$ 4,099,094
Miscellaneous income	905
	<u>4,099,999</u>
<b>Expenditures</b>	
Current:	
Personal service and benefits	400,269
Office expense	115,426
Travel and per diem	63,454
Professional fees	263,317
Contractual services	3,240,804
Other	15,824
	<u>4,099,094</u>
<b>Net Change in Fund Balance</b>	905
<b>Fund Balance</b>	
Beginning of Year	5,000
End of Year	<u>\$ 5,905</u>

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**The Accompanying Notes Are An Integral Part of These Financial Statements**

June 30, 2007

General  
Fund

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Net Change in Fund Balances - Total Government Funds</b>	\$ 905
The change in the long-term portion of compensated absences reported in the statement of activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	2,610
The change in investment in capital assets	(356)
<b>Change in Net Assets - Governmental Activities</b>	<u>\$ 3,159</u>



For The Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budget Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Federal grants	\$ 5,646,046	\$ 5,646,046	\$ 4,099,094	\$ (1,546,952)
Miscellaneous income	-	-	905	905
	<u>\$ 5,646,046</u>	<u>\$ 5,646,046</u>	<u>\$ 4,099,999</u>	<u>\$ (1,546,047)</u>
<b>Expenditures:</b>				
Personal service and benefits	\$ 437,394	\$ 437,394	\$ 400,269	\$ 37,125
Office expense	101,300	101,300	115,426	(14,126)
Travel and per diem	52,113	52,113	63,454	(11,341)
Professional fees	275,320	275,320	263,317	12,003
Dues and subscriptions	1,678	1,678	-	1,678
Contractual services	3,495,190	3,495,190	3,240,804	254,386
Other	24,139	24,139	15,824	8,315
	<u>\$ 4,387,134</u>	<u>\$ 4,387,134</u>	<u>\$ 4,099,094</u>	<u>\$ 288,040</u>
<b>Reconciliation of Budget to GAAP:</b>				
Expenditures per budgetary basis:			\$ 4,099,094	
Depreciation not recorded for budgetary basis:			356	
Change in long-term portion of compensated absences			(2,610)	
Expenditures per GAAP			<u>\$ 4,096,840</u>	

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of the State of New Mexico, Northern Area Local Workforce Development Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a component unit of the State of New Mexico, a phase one government, the Board was required to implement GASB Statement 34, Basic Financial Statements-and Managements Discussion and Analysis-for State and Local Governments in fiscal year 2004. The Board does not have any component units. The financial statements for the year ended June 30, 2007, represent fiscal year 2007. The more significant accounting policies of the Board are described below:

**1. Financial Reporting Entity**

The Northern Area Local Workforce Development Board (Board) is established pursuant to the Workforce Investment Act (WIA) and in compliance with New Mexico law and WIA regulations. Most Board members are appointed by the Chief Elected Officials (CEO) who are signatories to the Operating Agreement, based on nominations submitted from various sources through the Board's Executive Director. The remaining mandatory members shall be appointed upon recommendation of the partners agencies in the State. The Board promotes business and community partnerships for local economic development while providing vocational training and employment services to meet the demands of a changing workforce.

Based upon GASB 39, the Board does not have relationships with other organizations or organizations that are fiduciary in nature that would need to be included in the basic financial statements.

**2. Basic Financial Statements - Government-Wide Statements**

The Board's basic financial statements include both government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major funds) except for fiduciary activities. Both the government-wide and fund financial statements categorize primary activities as governmental. The Board's general fund is classified as a governmental activity.

Northern Area Local Workforce Development Board has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. Northern Area Local Workforce Development Board has elected to not apply FASB pronouncements issued after the applicable date.

In the government-wide Statement of Net Assets, the governmental column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The government-wide Statement of Activities reports the gross cost of the Board's function. The function is supported by general government revenues (intergovernmental revenues). This government-wide focus is more on the sustainability of the Board as an entity and the change in the Board's net assets resulting from the current year's activities.

The statement of activities demonstrates to a degree which of the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes or other items that are not properly included among program revenues are reported as general revenues.

**3. Basic Financial Statements - Fund Financial Statements**

The financial transactions of the Board are reported in the individual fund financial statements. The accounts of the Board are maintained on the basis of 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, reserves, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the appropriate state statutes and the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds are utilized by the Board:

***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Board:

**General Fund** - The General Fund is the general operating fund and only major fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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**4. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses 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. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. The Board's government-wide financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The Board's fund financial statements have been presented using the current financial resources measurement focus and the modified accrual basis of accounting.

***Accrual:***

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Modified Accrual:***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**5. Cash and cash equivalents**

Cash and cash equivalents consists of cash on deposit with area banks which are held for use by the Board. The Board considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. In the normal course of cash activity, the Board maintains that cash held at financial institutions is below the FDIC and SPIC insured limits.

**6. Capital Assets**

Capital assets are recorded as expenditures in the governmental funds and capitalized at cost in the Statement of Activities. The valuation basis for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement. The Board requires that expenditures for long lived assets with a value of \$5,000 and above, be treated as capital assets.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful life of the class of depreciable capital asset is as follows: equipment - 5 years.

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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**7. Compensated Absences**

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the Statement of Net Assets. The expenditure is reported for these amounts in the Statement of Activities. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that employees may convert to cash.

**8. Budgetary Procedures and Accounting**

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

The grantor makes annual appropriations for the Board's funds. The Board does not have a legally adopted budget, compliance is monitored through the establishment of a budget and a financial control system which permits budget-to-actual comparison. Budgeted line-item classifications may be amended upon approval from the grantor. The level of budgetary control is at the total fund level.

The basis of accounting for the budget is modified accrual, as approved by the grantor.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Board's policy is to first apply the expense with unrestricted and then restricted resources.

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**NOTE B - CASH AND CASH EQUIVALENTS**

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*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 6-10-17, New Mexico Statutes requires that all depositories of Northern Area Local Workforce Development Board provide collateral equal to at least one-half of the amount of uninsured public monies on deposit.

As of June 30, 2007, \$395,574 of the Board's bank balance of \$495,574 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 395,574
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**NOTE C - CAPITAL ASSETS**

The following is a summary of changes in the capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Equipment	\$ 3,048	\$ -	\$ -	\$ 3,048
Less accumulated depreciation				
Equipment	2,692	356	-	3,048
	<u>2,692</u>	<u>356</u>	<u>-</u>	<u>3,048</u>
Capital Assets, net	<u>\$ 356</u>	<u>\$ (356)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental activities as follows:

Administration	<u>\$ 356</u>
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**NOTE D - COMPENSATED ABSENCES PAYABLE**

Qualified employees are entitled to accumulate personal leave at the rate of 4 hours per pay period for annual and sick during the first year of employment. For employees with over one year employment annual leave will be accrued at the rate of 6 hours per pay period and 4 hours per pay period for sick leave. A maximum of 240 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 compensated for accumulated unpaid leave as of the date of termination, up to a maximum of 240 hours.

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increase	(Decrease)	Balance June 30, 2007	Amounts Due Within One Year
Compensated Absences	<u>\$ 32,997</u>	<u>\$ 46,770</u>	<u>\$ (49,380)</u>	<u>\$ 30,387</u>	<u>\$ 7,597</u>

The general fund has been used to liquidate compensated absences in prior years.

Notes To Financial Statements

**NOTE E - RETIREMENT PLAN**

In January 2003, the Board started a 403(b) plan to which it can make voluntary contributions. Any employee who has completed one year of service and is at least 21 years of age is entitled to participate in the plan. During 2007, the Company contributed \$30,288 and employees contributed \$0.

**NOTE F - COMMITMENTS AND CONTINGENCIES**

Operating Lease Obligations

The Board is committed under several leases for office space and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2007 amounted to \$52,506.

The following is a schedule by years of future minimum lease payments for the next five years required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2007:

2008	\$ 39,980
2009	36,436
2010	33,254
2011	33,254
2012	15,929
	<u>\$ 158,853</u>

**NOTE G - RISK MANAGEMENT**

The Board 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 Board carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, and Transportation Property) with a private carrier.

**June 30, 2007**

<u>Account Name</u>	<u>Account Type</u>	<u>First National Bank</u>
<b>Cash and cash equivalents in area banks:</b>		
The First National Bank	Checking	\$ 495,574
Less: FDIC coverage		(100,000)
Uninsured public funds		395,574
50% collateral requirement		197,787
Pledged Collateral held by agency's agent in the agency's name		-
Pledged Collateral held by the pledging bank's trust department in the agency's name		-
Pledged Collateral held by the pledging financial institution		-
Pledged Collateral held by the pledging bank's trust department or agent but not in the agency's name		-
Over (Under)		<u>(197,787)</u>
Bank balance		495,574
Outstanding items		<u>(136,633)</u>
Book balance		<u>\$ 358,941</u>



Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Sub Award #	Federal Expenditures
<b>U.S. Department of Labor:</b>			
<u>Pass-Through New Mexico Governor's Office of Workforce Training and Development:</u>			
Workforce Investment Act (Cluster)	17.258, 17.259 &		
Administration	17.260	08-003-05	\$ 331,566
Adult Program	17.258	08-003-05	1,637,107
Formula Youth	17.259	08-003-05	1,029,311
Dislocated Workers	17.260	08-003-05	741,649
5%, 10% and 25% State wide funds	17.Unknown	08-003-05	356,851
Total WIA expenditures			<u>\$ 4,096,484</u>

**Payments to Subrecipients**

CYFD/ NMCCV			\$ 50,000
Gallup			50,000
HELP			358,232
NMHU			34,473
SER, Jobs for Progress			2,526,082
Siete Del Norte			284,337
Total payments to subrecipients			<u>\$ 3,303,124</u>

**A. Significant Accounting Policies**

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The expenditures included in the schedules are reported for the Board's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds that have been expended by the Board for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedules may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

The Board did not receive any non-cash assistance; there was no insurance in effect during the year and no federal loan guarantees outstanding at year-end.

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**KARDAS • ABEYTA • WEINER P.C.**  
Certified Public Accountants

**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***

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Jerry Gaussoin, Executive Director  
Members of the Board  
State of New Mexico,  
Northern Area Local Workforce Development Board  
Hector H. Balderas, State Auditor

We have audited the financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the Northern Area Local Workforce Development Board (Board) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 16, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See item 01-5 and 06-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 01-5 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 01-9 and 03-2.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the agency, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Kardas, Abeyta & Weiner, P.C.*

Albuquerque, New Mexico  
January 16, 2009



**KARDAS • ABEYTA • WEINER P.C.**  
Certified Public Accountants

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

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Jerry Gaussoin, Executive Director  
Members of the Board  
State of New Mexico,  
Northern Area Local Workforce Development Board  
Hector H. Balderas, State Auditor

### **Compliance**

We have audited the compliance of Northern Area Local Workforce Development Board (Board) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Board'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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

As described in items 01-7 and 07-1 in the accompanying schedule of findings and questioned costs, the Board did not comply with requirements regarding Equipment and Real Property Management, and Subrecipient Monitoring that are applicable to its Workforce Investment Act. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 07-2.

### **Internal Control Over Compliance**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, the State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kardas, Abeyta & Weiner, P.C.*

Albuquerque, New Mexico  
January 16, 2009



**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiencies identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified not considered to be material weaknesses? No

Type of auditor's report issued on compliance with major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes

**Identification of Major Programs:**

<i>CFDA</i> <u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259, 17.260	Workforce Investment Act

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? No

**Section I - Summary of Auditor's Results**

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**PRIOR YEAR FINDINGS**

01-5)	Fixed Assets (Material Weakness)	Repeated
01-7)	Fixed Assets (Material Weakness)	Repeated
01-9)	Audit Due Date	Repeated
03-2)	Pledged Collateral	Repeated
06-1)	Procurement	Repeated
05-1)	Data Collection Due Date	Repeated

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**Section II - Financial Statement Findings**

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**CURRENT YEAR FINDINGS**

**01-5 Fixed Assets (Material Weakness)**

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**Condition**

The NM Department of Labor (Department) was contracted to complete all aspects of accounting for the Workforce Investment Act (WIA) from July 1, 2001 through December 15, 2002. For that time period, the Department cannot provide a listing of fixed assets purchased. An annual inventory has been performed annually on assets purchased subsequent to December 15, 2002.

**Criteria**

During the period of time the Department maintained the books of the Board, there would be purchases of fixed assets and as required in the State Auditor Rule 2.2.2.10 Y(1) and OMB Circular A-110, Section 30 the Department and or the Board is required to develop a fixed asset listing.

**Cause**

The Department was managing all aspects for the program, but has not provided a listing of fixed assets purchased during their management period (July 1, 2001 through December 15, 2002).

**Effect**

The Board is not in compliance with the State Auditor rule or OMB Circular A-110 and as a result cannot determine what fixed assets existed as of June 30, 2007. This precludes any fixed asset list or inventory and results in loss of control of each item.

**Recommendation**

The Board should require that the Department provide a listing of fixed assets purchased and the supporting documentation.

**Response**

The Board has made formal requests to the New Mexico Department of Labor to either provide the NALWDB a listing of fixed assets purchased, if any, during the period the NMDOL assets purchased during the period under question, or certify to the NALWDB that no such purchases were made. The NMDOL has failed to respond to any of these requests.

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**06-1 Procurement**

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**Condition**

During testing of disbursements, we noted an instance (seventy tested with transaction amount above \$500) where NALWDB did not obtain three oral or written bids.

**Criteria**

NALWDB procurement policy states that NALWDB needs to obtain three written or oral bids for all professional services over \$500.

**Cause**

NALWDB representatives made a sole determination to award the contract without going through the established procedures.

**Effect**

NALWDB was not in compliance with its own procurement policies. As a result, the proposed contract was not presented to all potential vendors and NALWDB may not have procured the services at the lowest price.

**Recommendation**

Personnel in charge of procurement have to be told that there are no exceptions to the rule that all transactions over \$500 need to have three oral or written bids. We advised the Board to strictly adhere to Northern Area Local Workforce Development Board's procurement policy.

**Response**

These services are for a computer technician to resolve IT issues as they occur. This particular entity was recommended by the NALWDB Fiscal Agent; and at the time the services were procured, the NALWDB did not have any knowledge of how many hours of services would be required and no reason to believe that the services would equal or exceed the \$500 base line. We did know that the technician under contract at that time was wholly inadequate and needed to be replaced because he never responded to calls for aid, nor did he bill the NALWDB. As it turned out, the NALWDB relocated its administrative office from 811 St. Michael's to 1751 Old Santa Fe Trail; which resulted in charges in excess of the \$500 base line. Had this been planned at the time the professional services were procured, bids would have been secured. However, our experience with the present technician is that he generally does not bill for issues he can resolve via a telephone call; nor does he always bill for full hours when he is on-site.

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**Section III - Federal Award Findings and Questioned Costs**

**01-7 Fixed Assets (Material Weakness)**

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**Workforce Investment Act Cluster (Material Weakness)**

**Department of Labor**

**Pass through entity: NM Office of Workforce Training and Development  
CFDA. 17.258, 17.259 and 17.260**

**Questioned  
Costs**

**Condition**

The NM Department of Labor (Department) was contracted to complete all aspects of accounting for the Workforce Investment Act (WIA) from July 1, 2001 through December 15, 2002. For that time period, the Department cannot provide a listing of fixed assets purchased. An annual inventory has been performed annually on assets purchased subsequent to December 15, 2002.

N/A

**Criteria**

During the period of time the Department maintained the books of the Board, there would be purchases of fixed assets and as required in the State Auditor Rule 2.2.2.10 Y (1) and OMB Circular A-110, Section 30 the Department and or the Board is required to develop a fixed asset listing.

**Cause**

The Department was managing all aspects for the program, but has not provided a listing of fixed assets purchased during their management period (July 1, 2001 through December 15, 2002).

**Effect**

The Board is not in compliance with the State Auditor rule or OMB Circular A-110 and as a result cannot determine what fixed assets existed as of June 30, 2007. This precludes any fixed asset list or inventory and results in loss of control of each item.

**Recommendation**

The Board should require that the Department provide a listing of fixed assets purchased and the supporting documentation.

**Response**

The Board has made formal requests to the New Mexico Department of Labor to either provide the NALWDB a listing of fixed assets purchased, if any, during the period the NMDOL assets purchased during the period under question, or certify to the NALWDB that no such purchases were made. The NMDOL has failed to respond to any of these requests.

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**05-1 Data Collection Due Date**

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**Workforce Investment Act Cluster (Material Weakness)**

**Department of Labor**

**Pass through entity: NM Office of Workforce Training and Development  
CFDA. 17.258, 17.259 and 17.260**

**Questioned  
Costs**

**Condition**

The Board did not meet the deadline for the filing of the data collection report.

N/A

**Criteria**

Under OMB Circular A-133.320 the Northern Area Local Workforce Development Board is required to submit the data collection form within the earlier of 30 days after receipt after the auditor's report(s), or nine months after the end of the audit period (June 30, 2007).

**Cause**

The New Mexico Department of Labor (Department) through the Workforce Investment Act (WIA) passed through funds to Local Workforce Boards. The Northern Area Local Workforce Development Board contracted with the Department to administer the administrative and programmatic functions of the WIA program beginning in 2001. The Department did not provide adequate financial information in 2001 which delayed the audit process by more than two years and as a result, subsequent years financial statements have been filed late. The audit must be completed before the data collection form can be prepared.

**Effect**

The Board was not in compliance with the OMB Circular requirements as noted above. Late submission of the data collection form could have an effect on state and federal funding.

**Recommendation**

The Board should ensure that all financial information and other items needed for the audit are available for the independent public accountant in order that the independent public accountant can finish the audit on time and thus ensure timely submission of the data collection form.

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**05-1 Data Collection Due Date (continued)**

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**Response**

The NALWDB has contracted with an independent audit firm to provide necessary audit services. Because of the lack of a adequate set of books, that firm has had difficulties in securing the necessary information. With the RFP of the Fiscal Agent services, and the selection of a new Fiscal Agent, the past problem identified by both the State Auditor and Department of Finance and Administration should be resolved. The new system will be tested with the 2009 audit being submitted in advance, or within the allowable deadline.

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**07-1 Subrecipient Monitoring (Material Weakness)**

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**Workforce Investment Act Cluster (Material Weakness)**

**Department of Labor**

**Pass through entity: NM Office of Workforce Training and Development  
CFDA. 17.258, 17.259 and 17.260**

**Questioned  
Costs**

**Condition**

Three contracts (out of five tested) did not receive a monitoring review during the 06/07 program year.

N/A

**Criteria**

Under 20 CFR section 667.400(c), each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate.

**Cause**

The personnel in charge of program monitoring failed to perform the necessary monitoring review for all contracts.

**Effect**

The Board is not in compliance with the Workforce Investment Act and as a result cannot determine that the contractors are in compliance with provisions of the Act and applicable laws and regulations.

**Recommendation**

The Board should insure that all contracts are reviewed and monitored at least once a year to stay in compliance with the Workforce Investment Act.

**Response**

A monitoring schedule will be developed before January 31, 2009; implementation and all necessary contractor monitoring will be completed on or before February 28, 2009. This action will place the NALWDB in compliance of the Act.

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**07-2 Board Certification**

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**Workforce Investment Act Cluster**

**Department of Labor**

**Pass through entity: NM Office of Workforce Training and Development  
CFDA. 17.258, 17.259 and 17.260**

**Questioned  
Costs**

**Condition**

The Board was not certified for the audit year 2006/2007.

N/A

**Criteria**

The Board is not certified per 20 CFR section 661.300. A local workforce investment board must be certified every two years, in accordance with WIA Sec. 117(c)(2). The Board was last certified for the two year period ended June 30, 2006.

**Cause**

The State of New Mexico did not respond in time to the Board's request for certification.

**Effect**

The fact that the Board is not certified could lead to a decrease in funding or the reappointment and certification of another local board to perform the Board's current functions.

**Recommendation**

Recertification requests should be made at an early date to allow the Board to respond to potential questions by the State and to follow up on their requests.

**Response**

The NALWDB concurs that the State Workforce Board never certified any of the Local Boards; even though the NALWDB submitted all of the requested information within the State Administrative Entity (SAE) established time table. In fact, when the SAE did not act on the submitted information, the NALWDB transmitted both an email and letter to inquire of when it would take place. The NALWDB was informed that it would happen at some later date. It has never taken place, and the SAE has in fact, with this finding, written itself up for non-compliance. The NALWDB has responded that it stands ready to update any information the SAE feels need be done.

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## **Section IV - Other Findings**

### **01-9 Audit Due Date**

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#### **Condition**

The audit for the Board did not meet the December 1, 2007 deadline. The audit report was submitted on January 26, 2009.

#### **Criteria**

Under 2.2.2.9 A(1)(d) of the State Auditor Rule, the Board is required to have the audited financial statements turned into the State Auditor by December 1, 2007.

#### **Cause**

The New Mexico Department of Labor (Department) through the Workforce Investment Act (WIA) was to pass-through funds to Local Workforce Boards that were created by the Governor. The Northern Area Local Workforce Development Board then contracted with the Department to administer the administrative and programmatic functions of the WIA program beginning in 2001. The Department could not provide adequate financial information beginning in 2001 and as a result subsequent years financial statements are late.

#### **Effect**

The Board was not in compliance with the State Auditor rule referenced above. Late audit reports could have an effect on state and federal funding.

#### **Recommendation**

The Board should ensure that all financial information and other items needed for the audit are available for the independent public accountant.

#### **Response**

The NALWDB has contracted with an independent audit firm to provide necessary audit services. Because of the lack of a adequate set of books, that firm has had difficulties in securing the necessary information. With the RFP of the Fiscal Agent services, and the selection of a new Fiscal Agent, the past problem identified by both the State Auditor and Department of Finance and Administration should be resolved. The new system will be tested with the 2009 audit being submitted in advance, or within the allowable deadline.

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### **03-2 Pledged Collateral**

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#### **Condition**

The Board has a cash account with a bank balance exceeding \$100,000 and the Bank has not pledged any collateral to the excess funds of \$395,574.

#### **Criteria**

Pledged collateral is required by State Statute (6-10-17, NMSA 1978) and the State Auditor Rule 2.2.2.10 N(4)(b) (2003). Pledged collateral in an aggregate amount should be at least one-half of uninsured public money in each account.

#### **Cause**

The audits for the Board for the years 2003-2006 were performed over a short period of time. The 2003 audit was delivered in August of 2005 and the 2006 audit was completed in November 2007. The Board were aware of the fact that they had no pledged collateral, but by the time this was discovered we were already in the 2006 - 2007 audit year and the Board did not have sufficient time to have the pledged collateral agreement in place by the end of the 2006-2007 audit year.

#### **Effect**

The State Statute and the State Auditor Rule require that governmental agencies ensure that at least fifty percent of its cash balances in excess of FDIC insurance be collateralized. Failure to abide by the rule puts the agency's cash balances at risk of loss.

#### **Recommendation**

The Board needs to ensure that if their bank balance exceeds \$100,000, the Board needs to require the bank pledge collateral up to 50% of those funds that exceed the \$100,000.

#### **Response**

The Board Fiscal Agent has formally notified the Bank that the required pledged collateral must be made in the event the Board bank balance exceeds the allowable limit. The bank has certified that, in the event the NALWDB bank balance exceeds the allowable limit, the required pledged collateral has been made. This communication took place after June 30, 2007.

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**Section IV - Exit Conference**

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An exit conference was held January 22, 2009 with the following in attendance:

Northern Area Local Workforce Development Board:

Jerry Gaussoin, Executive Director  
Sandy Sandoval, Budget Committee Chair  
Constance Reischman, Attorney  
Adrian Ortiz, Planning and Youth Programs Manager  
Patrick Colvin, Planning and Adult Programs Manager

Kardas, Abeyta & Weiner, PC:

Gerald T. Kardas  
Divan Coetzee

Although Northern Area Local Workforce Development Board is responsible for the contents, the financial statements and notes to financial statements were prepared by the auditors, with the assistance of the Board's staff.

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