



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL
WORKFORCE DEVELOPMENT BOARD
Financial Statements
For The Year Ended June 30, 2016**

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
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For The Year Ended June 30, 2016**

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STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
Official Roster
As of June 30, 2016

DIRECTORS

Floyd Archuleta
Sandy Sandoval
Scott Beckman
Robert Anaya
Krutik Bhakta
Mary Jean Christensen
Vincent Howell
Chris Madrid
Marcos Martinez
Jason Moore
Jolene Nelson
Ralph Richards
Nani River
Joseph J. Rodman
Jon Paul Romero
Mario Suazo
Thomasinia Oritz-Gallegos
Eileen Yarborough
Jeff Barela

POSITION

Chairman
Chair Elect
Secretary
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Executive Director



INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Northern Area Local Workforce Development Board and
Mr. Tim Keller, State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying 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 (NALWDB), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the NALWDB’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 misstatement, 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.

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 of the governmental activities and the major fund of the Northern Area Local Workforce Development Board (NALWDB), as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 and 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 NALWDB's financial statements and the budgetary comparison. 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 relate 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 the 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 schedule of vendor information, which is required by the State Auditor Rule has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the NALWDB'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 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 NALWDB's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, NM
December 7, 2016

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF NET POSITION
As of June 30, 2016**

Assets	Governmental Activities
Current	
Cash and cash equivalents	\$ 85,119
Grant receivables	164,285
Total Current Assets	249,404
Noncurrent	
Capital assets, net	-
Security deposit	3,000
Total Noncurrent Assets	3,000
Total Assets	\$ 252,404
Liabilities	
Current	
Accounts payable	\$ 243,213
Accrued payroll liabilities	2,623
Accrued compensated absences-due within one year	11,730
Total Current Liabilities	257,566
Noncurrent	
Compensated absences	-
Total Liabilities	257,566
Net Position	
Net investment in capital assets	-
Unrestricted	(5,162)
Total Net Position	(5,162)
Total Liabilities and Net Position	\$ 252,404

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position for Governmental Activities</u>
Governmental activities			
Workforce Investment Act Program:			
Adult	\$ 1,119,302	1,119,302	-
Dislocated Worker	816,681	816,681	-
Youth	626,872	626,872	-
Administration	196,677	214,765	18,088
Other training	43,981	50,000	6,019
	<u>\$ 2,803,513</u>	<u>2,827,620</u>	<u>24,107</u>
Miscellaneous revenue			853
Miscellaneous expense			2,067
Change in net position			<u>22,893</u>
Net position, beginning of year			<u>(28,055)</u>
Net position, end of year			<u>\$ (5,162)</u>

See accompanying footnotes and independent auditor's report

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
BALANCE SHEET – GOVERNMENTAL FUND
As of June 30, 2016

		General Fund
Assets		
Cash and cash equivalents	\$	85,119
Grant receivables		164,285
Security deposit		3,000
Total Assets	\$	<u><u>252,404</u></u>
Liabilities		
Accounts payable	\$	243,213
Accrued payroll liabilities		2,623
Total Liabilities		<u><u>245,836</u></u>
Fund Balance		
Non-spendable		3,000
Unassigned		3,568
Total fund balance-governmental funds		<u><u>6,568</u></u>
Total Liabilities and Fund Balance	\$	<u><u>252,404</u></u>
 <i>Reconciliation of Total Fund Balance-Governmental Funds to the Total Net Position on Statement of Net Position-Government-Wide</i>		
Total fund balances - Governmental Fund	\$	6,568
 Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:		
Compensated absences		<u>(11,730)</u>
Net position (deficit) of governmental activities	\$	<u><u>(5,162)</u></u>

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
For The Year Ended June 30, 2016

	<u>General Fund</u>
Revenues	
Intergovernmental - Federal	\$ 2,777,620
Intergovernmental - Local	50,000
Miscellaneous revenue	853
Total Revenues	<u>2,828,473</u>
Expenditures	
Current	
Employment Services:	
Formula Program Year funds:	
Adult	1,119,302
Dislocated Worker	816,681
Youth	626,872
Administration	214,765
Other training	43,981
	<u>2,821,601</u>
Miscellaneous expense	<u>2,067</u>
Total Expenditures	<u>2,823,668</u>
Net change in fund balance	<u>4,805</u>
Fund balance, beginning of year	<u>1,763</u>
Fund balance, end of year	\$ <u><u>6,568</u></u>

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

Net change fund balance in governmental funds	\$ 4,805
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
These activities consist of:	
(Increase) decrease in compensated absences	18,088
Change in net position of governmental activities	\$ <u><u>22,893</u></u>

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
GENERAL FUND – MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE–WIA/WIOA–(GAAP BUDGETARY BASIS) AND
ACTUAL
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental-federal	2,708,382	2,933,322	2,777,620	(155,702)
Intergovernmental-local	50,000	50,000	50,000	-
Miscellaneous revenue	853	853	853	-
Total Revenues	\$ 2,759,235	2,984,175	2,828,473	(155,702)
Expenditures				
Current:				
Employment services:				
PY 15 and FY 16:				
Adult	1,153,230	1,153,230	1,119,302	33,928
Dislocated Worker	670,732	895,672	816,681	78,991
Youth	637,910	637,910	626,872	11,038
Administration	246,510	246,510	214,765	31,745
Other training	50,000	50,000	43,981	6,019
Miscellaneous Expenditures	853	853	2,067	(1,214)
Total General governmental	2,759,235	2,984,175	2,823,668	160,507
Excess (deficiency) of revenues over expenditures	-	-	4,805	4,805
Fund balance, beginning of year	1,763	1,763	1,763	-
Fund balance, end of year	\$ 1,763	1,763	6,568	4,805

See accompanying footnotes and independent auditor's report

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Northern Area Local Workforce Development Board (NALWDB) was organized pursuant to Section 117 of Public Law 105-220 (Workforce Investment Act/Workforce Innovation and Opportunity Act [WIA/WIOA]) and New Mexico State Legislative Law, Chapter 260, dated April 7, 1999, to set policy for the portion of the statewide workforce investment system within the local area serviced by the Board. The NALWDB sets policy for Santa Fe, Mora, Colfax, Los Alamos, San Miguel, San Juan, McKinley, Taos, Rio Arriba, and Cibola counties in the State of New Mexico.

During the year ended June 30, 2016, the NALWDB contracted with a local CPA firm for its fiscal agent services. The NALWDB also contracted with the SER Jobs for Progress, Inc. to manage and operate the local area One-Stop Centers. The NALWDB also contracted with a vendor to provide youth program services.

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:

- a. Advise the State Board on issues relating to regional and local workforce development needs;
- b. 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;
- c. Designate or certify one-stop program operators in accordance with the federal WIA/WIOA;
- d. Terminate, for cause, the eligibility of the one-stop operator;
- e. Select and provide grants to youth activity providers in accordance with the WIA/WIOA;
- f. Identify eligible training providers in accordance with WIA/WIOA;
- g. Develop a budget subject to approval of the Chief Elected Official;
- h. Develop and negotiate local performance measurements as described in the WIA/WIOA with the Chief Elected Official and the Governor;
- i. Assist in development of an employment statistics system;
- j. Ensure linkages with economic development activities;
- k. Encourage employer participation and assist employers in meeting hiring needs;
- l. 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;

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NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
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- m. Establish as a subgroup, a youth council, appointed by the local board in cooperation with the Chief Elected Official, and
- n. Prior to submission of the local plan, provide information regarding the following:
 - i. the local plan
 - ii. membership
 - iii. designation and certification of one-stop operators and
 - iv. 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 NALWDB's board is required to be made up of at least fifty-one percent 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 Board, 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 NALWDB 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 Board is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units included in the reporting entity.

B. Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide financial statements do not include any fiduciary funds or component units the entity may have.

When applicable, the effect of inter-fund 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. However, the NALWDB had no inter-fund activity for the year ended 2016.

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NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position on the Statement of Net Position includes the following:

Investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – Net position should be reported as restricted when constraints placed on net position's use is either externally imposed by law through constitutional provisions or enabling legislation. The NALWDB had no restricted net position as of June 30, 2016.

Unrestricted – the difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position.

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Portions of the fund balances may be reserved for subsequent year's expenditures. The reservation represents the amount of cash appropriated in subsequent year's budget. No funds have been reserved for the year ended June 30, 2016.

Program Revenues:

The NALWDB received program specific operating grants from the U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions during the year ended June 30, 2016. These revenues are program revenues for the carrying out of program activities of the WIA/WIOA grant cluster.

The net cost by function is normally covered by general revenue. The NALWDB allocates its indirect costs to each of its programs based on an indirect cost allocation plan. The government-wide focus is more on the sustainability of the NALWDB as an entity and the change in the NALWDB's net position resulting from the current year's activities.

2. Fund Financial Statements

Fund financial statements report detailed information about the NALWDB. NALWDB has one major fund and no non-major funds for the year ended June 30, 2016. See Note B-8 for more detail.

3. GASB Statement #54

In February 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as non-spendable, restricted, or unrestricted (committed, assigned or unassigned).

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

4. Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the NALWDB's policy to use restricted resources first. When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the NALWDB's policy to spend committed resources first.

5. Governmental Funds-Method of Accounting

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

6. Revenue Recognition

The governmental fund types for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resources are recognized in the accounting period in which they become susceptible to accrual; then they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and other taxes as available if they are collected within sixty days after year end. The NALWDB does not receive any tax revenues. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

The NALWDB has implemented GASB Statement No. 33 on any non-exchange transaction. A non-exchange transaction occurs when a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The NALWDB has two types of non-exchange transactions: government-mandated non-exchange transaction revenues (federal programs that state or local governments are mandated to perform), and voluntary non-exchange transactions (grants, entitlements, and donations by non-governmental entities, including private donations). The NALWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimated), if any.

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual. Restricted revenues are applied to expenditures first before non-restricted revenues are applied.

7. Expenditure Recognition

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. The NALWDB did not have any general long-term debt as of June 30, 2016.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
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Expenditures, other than vacation and sick pay, are recorded when the related fund liability is incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

8. Fund Accounting

The accounts of the NALWDB are organized on a 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, deferred outflows of resources, deferred inflows of resources, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as the General Fund.

The General Fund is the general operating fund of the NALWDB and it is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund and there were no other funds.

The key program included in the General Fund during fiscal year 2016 includes the following;

Workforce Investment Act/Workforce Innovation and Opportunity Act Fund
Provides employment services at three levels: which are core, intensive and training services, to adults, dislocated workers and youth.

9. Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense 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 Position. 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.

C. 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 NALWDB 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 NALWDB 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:

	Estimated Useful Life
Furniture, fixtures, software and equipment	3-10 years

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NOTES TO THE FINANCIAL STATEMENTS
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However, assets over the past years have been purchased by contractors and sub-recipients as budgeted in their contracts and award agreements. These assets have been recorded on the contractors' and sub-recipients' books and depreciation has been recorded on their books accordingly. The contractors and sub-recipients are obligated to return these assets to the NALWDB's respective awarding program, should the program or their agreement with the NALWDB end.

D. 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 NALWDB has no deferred outflows of resources during fiscal year 2016 on the government wide or fund financials. 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 NALWDB has no deferred inflows of resources during fiscal year 2016 on the government wide or fund financials.

E. Budgets

The NALWDB prepares a budget by funding stream based upon the allocation by the State Workforce Development Board to be approved by the NALWDB's Board. The State Workforce Development Board provides the NALWDB with a breakdown of the funds allocated to that region each year for adult, dislocated worker, youth, and administration activities. Those allocations are based upon the State Workforce Development Board's approved state plan. The NALWDB cannot exceed expenditures allocated by adult, dislocated worker, youth, 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 Board 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 NALWDB must be first approved by the State Workforce Development Board but are not required to be approved by the Department of Finance and Administration.

The Board approves the budget at the operating fund level and not at the funding stream level. Therefore, the over-expenditure in miscellaneous expenditures does not constitute a violation of budget rules since the Board maintained sufficient funds in this funding stream overall and the budget in total was not over-expended.

Any federal funds that have been used for any purpose not within the purposes of the WIA/WIOA shall be reimbursed to the State Workforce Development 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.

F. 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

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NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
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certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. 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.

H. Allowances

The NALWDB expects to receive the full amount of grants receivables for funds requested from the New Mexico Department of Workforce Solutions and others and, therefore, had not set up any allowance for any uncollectible receivables.

I. Fund Balance

The NALWDB's fund balance is classified under the following GASB Statement 54 components:

- **Non-spendable:** Non-spendable 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. The NALWDB has non-spendable fund balance of \$3000 for the year ended June 30, 2016.
- **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 NALWDB does not have any restricted fund balance for the year ended June 30, 2016.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). NALWDB does not have any committed fund balance for the year ended June 30, 2016.
- **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 NALWDB does not have any assigned fund balance for the year ended June 30, 2016.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The NALWDB does not currently have a minimum fund balance policy. The unassigned amount represents the balance from miscellaneous expenses and revenue in the current and prior years as well as the unspent portion of a current year grant.

2. DEPOSIT AND INVESTMENTS

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.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

The Governmental Accounting Standards Board has issued its Statement #40 which requires information on custodial risk be disclosed. Custodial credit risk is risk that in the event of bank failure, the NALWDB's deposits may not be returned to it. The NALWDB's deposit policy is to collateralize one half of the uninsured public money in each account.

Deposits as of June 30, 2016 were held in The First National Bank of Santa Fe. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2016, the carrying amount of the NALWDB's deposits was \$85,119.

The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of June 30, 2016:

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Government Checking Account	Demand Deposit	\$ 106,059	<u>85,119</u>
Less FDIC coverage		<u>(106,059)</u>	
Uninsured balance		<u>\$ -</u>	
50% collateral requirement			

There were no remaining uninsured and collateralized deposits exposed to custodial credit risk. As of June 30, 2016, the amount of the NALWDB's bank balance exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging Bank's trust dept. not in the NALWDB's name	\$ -
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The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA, 1978 as interpreted by the New Mexico State Auditor's Rule 2 NMAC 2.2.

<u>Bank Name</u>	<u>Bank Balance</u>	<u>Deposits In Transit</u>	<u>Out- Standing Checks</u>	<u>Financial Statements</u>
First National Bank of Sante Fe - non interest bearing	\$ <u>106,059</u>	<u>-</u>	<u>(20,940)</u>	<u>85,119</u>

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

3. RECEIVABLES

The NALWDB had grant receivables from the Department of Workforce Solutions in the amount of \$164,285 as of June 30, 2016.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

4. CAPITAL ASSETS AND DEPRECIATION

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

	<u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>2016</u>
Capital Assets:				
Furniture, fixtures and equipment	\$ 449	-	-	449
Accumulated Depreciation:				
Furniture, fixtures and equipment	(449)	-	-	(449)
Total net capital assets	\$ -	-	-	-

There was no current year depreciation expense for the year ended June 30, 2016, all items were fully depreciated and no additions were purchased. All of the NALWDB's equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

5. UNEARNED REVENUE

During the fiscal year ending June 30, 2016, the NALWDB did not have any unearned revenues.

6. COMPENSATED ABSENCES

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, 2016:

	<u>2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016</u>	<u>Current Portion</u>
Compensated absences payable	\$ 29,817	4,635	(22,722)	11,730	11,730

The WIA/WIOA fund has been used to liquidate accrued compensated absences in the past.

7. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the NALWDB kept its budgets on the modified accrual basis of accounting during the year ending June 30, 2016, there was no need to reconcile the budget financial statements to fund financial statements.

8. RETIREMENT 401(k) PLAN AND POST EMPLOYMENT BENEFITS

Employees of the NALWDB are not eligible to participate in the PERA retirement plan. However, in January 2003, the NALWDB started a 401(k) defined contribution retirement 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. The NALWDB can also make discretionary contributions to the plan. For fiscal years ending June 30, 2016 and June 30, 2015, the NALWDB made discretionary contributions of \$14,681 and \$17,807, respectively to the 401(k) retirement plan. Employees made no voluntary contributions for these periods.

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

9. RISK MANAGEMENT

The NALWDB 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 it carried commercial insurance in the name of the NALWDB. 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, 2016, the NALWDB did not have any probable risk of loss.

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. No funds that maintained a deficit fund balance as of June 30, 2016.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2016.

11. COMMITMENTS

The following is a schedule of future minimum lease payments required under current non-cancelable operating leases:

Fiscal Year Ending June 30,	Amount
2017	\$ 20,183
2018	-
2019	-
2020	-
2021	-
	\$ 20,183

12. USE OF FACILITIES

An agreement between the NALWDB and Colfax County was signed on June 11, 2013. The agreement provides the NALWDB with use of the building located at 230 North Third Street, Raton, NM, owned by the County. In lieu of payment, the NALWDB has agreed to provide business-driven, customer oriented workforce development services for Colfax County, and participating municipalities, citizens.

In addition, on April 1, 2014, the NALWDB entered into an agreement with the Regents of the University of New Mexico to use and occupy 910 square feet of office space. In lieu of payment, the NALWDB has agreed to provide vocational training and employment services to promote local economic development.

13. CONTINGENCY

WIA/WIOA designates the CEOs (the local chief elected officials in the Northern Area Workforce Development Area) as the grant recipient for WIA/WIOA federal funds and that the CEOs are liable for misuse of grant funds allocated to the Local Area. The Northern Area Local Workforce Development Board shall function as the grant recipient and shall receive and administer all WIA/WIOA Title I funds on behalf of the CEOs.

14. CONCENTRATION

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

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

15. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The NALWDB recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The NALWDB's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The NALWDB has evaluated subsequent events through December 7, 2016, which is the date the financial statements were available to be issued

**STATE OF NEW MEXICO
 NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
 SCHEDULE OF VENDOR INFORMATION
 For The Year Ended June 30, 2016**

Agency Number	Agency Name	Agency Type	RFB# /RFP#	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical Address of the Vendor	Did the Vendor Provide Document ation of Eligibility for In- State Preference ?	Did the Vendor Provide Document ation of Eligibility for Veteran's Preference ?	Brief Description of the Scope of Work	If the Procurement is Attributable to a Compenent Unit, Name of Component Unit
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None

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Grant No.</u>	<u>Grant Award Expended</u>
U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions			
Formula Program Year Funds			
WIA/WIOA Adult Program*:	17.258	14/15-003-PY14 & PY 15	\$ 1,119,302
WIA/WIOA Youth Activities*:	17.259	14/15-003-PY14 & PY 15	626,872
WIA/WIOA Dislocated Workers*:	17.278	14/15-003-PY14 & PY 15	816,681
WIA/WIOA Administration*:	17.2xx	14/15-003-PY14 & PY 15	214,765
Total expenditures			<u>\$ 2,777,620</u>

*Denotes major program

Selected Disclosures

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Northern Area Local Workforce Development Board, and is presented on the accrual basis of accounting. 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*.

2. Non-Cash Assistance

The Northern Area Local Workforce Development Board did not receive any noncash assistance.

3. Payments To Sub-recipients

<u>Organization</u>	<u>Federal CFDA Number</u>	<u>Identifying Grant No.</u>	<u>Amount</u>
SER Jobs for Progress, Inc. - Formula Funds	17.258,17.278	n/a	\$ 1,711,366
HELP NM - Formula Funds	17.259	n/a	546,730
Total			<u>\$ 2,258,096</u>

4. Cost Rate

The Northern Area Local Workforce Development Board did not use the 10% de minimis indirect cost rate



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
Northern Area Local Workforce Development Board
Santa Fe, New Mexico and
Mr. Tim Keller, 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 financial statements of the governmental activities, the major fund and the budgetary comparison of the general fund, of the Northern Area Local Workforce Development Board (NALWDB) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the NALWDB’s basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the NALWDB’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 NALWDB’s internal control. Accordingly, we do not express an opinion on the effectiveness of the NALWDB’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NALWDB’s financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

NALWDB's Response to Findings

The NALWDB's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. NALWDB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.



Hinkle + Landers, P.C.
Albuquerque, NM
December 7, 2016



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

The Board of Directors
Northern Area Local Workforce Development Board
Santa Fe, New Mexico and
Mr. Tim Keller, State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Northern Area Local Workforce Development Board’s (NALWDB) 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 NALWDB’s major federal program for the year ended June 30, 2016. The NALWDB’s major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of NALWDB’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 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 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 NALWDB’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 NALWDB’s compliance.

Opinion on Each Major Federal Program

In our opinion, NALWDB’s 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, 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 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The NALWDB's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The NALWDB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the NALWDB 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 NALWDB'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 NALWDB'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, noncompliance 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 noncompliance 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The NALWDB's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The NALWDB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

December 7, 2016

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

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.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
December 7, 2016

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements :

Type of auditor's report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	___ Yes	___ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	___ <u>X</u> No
Non-compliance material to financial statements noted?	___ Yes	___ <u>X</u> No

Federal Awards:

Internal Control

Material weaknesses identified?	___ Yes	___ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ <u>X</u> Yes	___ No

Type of auditor's report issued on major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a). ___ X Yes ___ No

Identification of major program as noted below:

CFDA Numbers	Name of Federal Programs	Funding Source
	Workforce Investment Act/Workforce Innovation and Opportunity Act:	
17.258	Adult	U.S. Dept. of Labor Passed through the New Mexico Dept. of Workforce Solutions
17.259	Youth	
17.278	Dislocated Worker	
17.xxx	WIA/WIOA-Administration	

Dollar threshold used to distinguish between A and B programs: \$750,000

Auditee qualified as low-risk auditee? ___ X Yes ___ No

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016**

SECTION II & III-FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Reference #	Finding	Status of Current and Prior Year Findings	Type of Finding*
Prior year			
2015-001	TIMELY SUBMISSION OF MONTHLY STATUS REPORT	Resolved	F
Current year			
2016-001	SUBRECIPIENT MONITORING	Current	E, F

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016**

CURRENT YEAR FINDINGS

2016-001 – SUBRECIPIENT MONITORING

Type of Finding: E, F

Federal program information:

Funding Department: Department of Labor passed through the New Mexico Department of Workforce Solutions

Title: WIA/WIOA Cluster

CFDA Number: 17.258, 17.259, and 17.278

Statement of Condition

In the current fiscal year, inspections of sub-recipient project sites were not completed and documented. Additionally, the NALWDB did not review sub-recipient financial records.

It should be noted that NALWDB has completed sub-recipient monitoring for both program and fiscal activities prior to the end of Program Year 2016.

Criteria

Pass-through entities are to provide reasonable assurance that the costs of goods and services charged to federal awards are allowable and charged in accordance with the applicable regulations. The Uniform Guidance requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The Compliance Supplement's Section M, "Monitoring of Sub-recipients", outlines specific requirements of monitoring sub-recipients.

Effect

Without complete and accurate monitoring of sub-recipients expenditures of federal funds, NALWDB cannot ensure the costs of goods and services charged to federal awards are allowable and charged in accordance with the applicable regulations.

Cause

On July 1, 2015 (Program Year 2015 [PY15]) the Workforce Investment Act (WIA) was replaced with the Workforce Innovation and Opportunity Act (WIOA) by federal legislative action. The New Mexico Department of Workforce Solutions (DWS) is the recipient of WIOA funds, which then are distributed to the four (4) local workforce boards in the State of New Mexico that are authorized to administer the WIOA programs. Although WIOA year one (1) was implemented on July 1, neither the U.S. Department of Labor or State DWS had received WIOA final rules or regulations necessary to govern daily operations of the program at the local board level; the NALWDB was forced to move forward with what information it had while working with the State toward full transition to WIOA. Thus, PY15 and PY16 have been labeled as a "transition period" for WIOA implementation. At present, the Northern Area Local Workforce Development Board (NALWDB) continues to work with the State to implement new processes, procedures, and standardizations of such.

Annual monitoring of WIOA funds by the State and local boards are a requirement of the Act. DWS, as the State Administrative Entity, is the responsible party for providing guidance and technical assistance to the local boards to ensure compliance with WIOA requirements. The monitoring of WIOA program and fiscal activity is only one of many areas affected by the transition to WIOA. Due to the flurry of

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016**

activity taking place in PY15 moving toward WIOA implementation and other usual and planned Board activities, the NALWDB AE scheduled tasks and assignments extended well into PY15.

The transition of WIA to WIOA was most markedly the cause in this instance. However, following are additional circumstances that hindered the NALWDB from completing PY15 program and fiscal monitoring reviews:

- WIOA final rules and federal regulations were not received by local boards until August 19, 2016. The lack of published regulations impeded our ability to thoroughly monitor compliance, to revise monitoring policy and procedures, and develop monitoring tools that are in sync with new requirements of WIOA. Throughout PY15 DWS committed to developing a standardized system for WIOA monitoring which would include a monitoring guide and toolkit as part of WIOA implementation for all local boards. To date, this has not been received.
- At the State level, the DWS WIOA Monitoring Bureau Chief resigned and the WIOA State Administrative Entity (SAE) Administrator retired. Both positions are critical to providing WIOA guidance and technical assistance to the local boards with regard to monitoring, particularly in a program transition year. To date, the Bureau Chief position remains vacant and the WIOA SAE Administrator was hired in July 2016. This is a significant period of time for which the local boards, to include the NALWDB, did not have appropriate guidance or technical assistance as to how to proceed with the WIOA monitoring activity.
- Under the direction of a new NALWDB Chairman, AE staff was directed to schedule a Board retreat in November 2015. To plan and coordinate such an event required many staff hours.
- In November 2015 the NALWDB was notified that DWS and the local boards under its oversight would be the subject of a review by the New Mexico Legislative Finance Council. This review spanned a period of 5 months and was labor intensive on the part of NALWDB staff.
- Beginning in December 2015, NALWDB staff actively participated with the Santa Fe Community College in pursuing two (2) USDOL grant opportunities. The effort put forth by both parties was both tedious and time consuming.
- In April 2016 the NALWDB distributed letters of notification to both Service Providers to commence the PY15 monitoring reviews. Upon dissemination of this notification NALWDB began by conducting desk reviews. The monitoring reviews were postponed only days into the process as notice was received that U.S. Department of Labor would be in New Mexico to meet with DWS and the local boards during that period of time.
- At the request of the NALWDB, staff was instructed to plan, coordinate and participate in a regional Workforce Summit. This event recently took place in October 2016 and again, took several months and staff hours to accomplish.

As the result of a multitude of additional program activity during both PY15 and thus far in PY16, the NALWDB AE staff made the decision that with the lack of any final rule from USDOL and State guidance, postponing monitoring reviews to PY16 was the prudent action. The intent was to monitor two (2) program years in PY16 by December of 2016.

Questioned Costs

None

Recommendation

NALWDB should ensure it properly monitors sub-recipients according to the requirements required by the Uniform Guidance identified under "Criteria".

Management Response

The NALWDB concurs with the auditor's recommendation that the NALWDB should properly monitor sub-recipients according to the Uniform Guidance identified under "Criteria". However, the NALWDB

STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016

does not believe that this instance is a “Significant Deficiency in Internal Control over Compliance of Federal Awards” because it was NALWDB’s decision to wait for the final regulations to be officially published by USDOL to develop monitoring instruments and tools to be in line with WIOA. NALWDB sub-recipient expenditures are reviewed, approved and paid based on cost principles such as A-87, A-110 and A-122 circulars. In addition, all participant activity is captured in the VOSS system which is monitored and reviewed by the sub-recipient, NALWDB and DWS staff periodically throughout the program year to maintain the integrity of the program.

The NALWDB has completed monitoring on PY15 WIOA program and fiscal activity based on final regulations published in the Federal Register that were issued on August 19, 2016. It should be noted that this monitoring was completed prior to the Single Audit Exit Conference. The current monitoring activity is well within the award period for PY 15 which ends on June 30, 2017. NALWDB provides oversight of the WIOA funds and program related requirements assuring compliance and allowance of expenditures. Staff reviews fiscal and programmatic elements associated with WIOA mandates and contractual obligations on an ongoing basis via desk review as well as through the NALWDB Workforce Connection Committee and Finance Committee reporting which meet on a quarterly basis. The NALWDB has not experienced any significant changes in its structure for a number of years and has not been subject to questioned or disallowed costs in any past Federal or State audits.

**STATE OF NEW MEXICO
NORTHERN AREA LOCAL WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
For The Year Ended June 30, 2016**

An exit conference was held in a closed session on December 7, 2016 and the contents of this report were discussed. Present at the exit conference were:

Representing Northern Area Local Workforce Development Board:

Floyd Archuleta	Chairman
Sandy Sandoval	Chair Elect
John Paul	Board Member
Jeff Barela	Executive Director
Deborah Wildenstein	Program Manager
Sara Jones	Fiscal and Program Support Specialist
Rick Sandoval	Fiscal Agent

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President
Maclen Enriquez, CPA	Audit Manager

PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the NALWDB have been prepared by Hinkle + Landers, P.C., the organization's independent public auditors; however, the financial statements are the responsibility of management.