

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

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT**

For the Fiscal Year Ended June 30, 2008

**HINKLE & LANDERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
As of June 30, 2008**

DIRECTORS	POSITION
Linda Smrkovsky	Chairman
Patrick Peralta	Vice Chairman of the Board
E.B. Armijo	Board Member
Art Armijo	Board Member
Oscar Vasquez-Butler	Board Member
David Carrillo	Board Member
Mary Ann Chavez-Lopez	Board Member
Jean Fraissinet	Board Member
Roque Garcia	Board Member
Terri Garcia	Board Member
Eva Gonzales	Board Member
Alonzo Gonzales	Board Member
Steve Green	Board Member
Earl Greer.	Board Member
Dolores Haley	Board Member
Marlene Herrera	Board Member
Jess Landers	Board Member
Kathryn Lee	Board Member
Mary Jo Lipinski	Board Member
Anthony Lujan	Board Member
Lori Martinez	Board Member
Phyllis McNall	Board Member
Robert Morales	Board Member
Sylvia Nickerson	Board Member
Lauren Peterson	Board Member

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
OFFICIAL ROSTER
As of June 30, 2008**

Louise Peterson	Board Member
Michelle Phillips	Board Member
Minerva Rayos	Board Member
Bryan Reedy	Board Member
Marie Richter	Board Member
Susan Roberts	Board Member
Leo Rosas	Board Member
Anton Salome	Board Member
Daniel Sanchez	Board Member
Jim Schoonover	Board Member
Kelly Sweetser	Board Member
Gloria Terrazas-Barnes	Board Member
Rheganne Vaughn	Board Member
Jay Armijo	Executive Director, SCCOG

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southwestern Area Workforce Development Board
and
Mr. Hector H. Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison of the Southwestern Area Workforce Development Board (SAWDB) for the year ended June 30, 2008, which collectively comprises the SAWDB's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the SAWDB's management. 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 with 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 basic 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 reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the SAWDB, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2008, SAWDB has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated November 24, 2008 on our consideration of the SAWDB's internal control over financial reporting and 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 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 read in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SAWDB's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards 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.

Hinkle & Landers, P.C.

November 24, 2008
Hinkle & Landers, PC

FINANCIAL SECTION

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Grant receivables	\$ 685,378
Other receivables	<u>6,240</u>
Total current assets	<u>691,618</u>
Total assets	<u><u>\$ 691,618</u></u>
 LIABILITIES:	
Current liabilities:	
Cash overdraft	\$ 13,550
Accounts payable	<u>678,068</u>
Total current liabilities	<u>691,618</u>
 NET ASSETS:	
Investment in capital assets	<u>-</u>
Total net assets	<u>-</u>
Total liabilities and net assets	<u><u>\$ 691,618</u></u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u>
Governmental activities:			
Workforce Investment Act program:			
Program year 07/fiscal year 08	3,734,956	3,733,438	(1,518)
Program year 06/fiscal year 07	<u>1,365,271</u>	<u>1,365,271</u>	<u>-</u>
	5,100,227	5,098,709	(1,518)
General revenues:			<u>-</u>
Change in net assets			<u>(1,518)</u>
Net assets, beginning of year			<u>1,518</u>
Net assets, end of year			<u><u>\$ -</u></u>

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**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

		<u>Major -Special Revenue Workforce Investment Act</u>
ASSETS:		
Grant receivables	\$	685,378
Other receivables		<u>6,240</u>
Total assets	\$	<u><u>691,618</u></u>
LIABILITIES:		
Cash overdraft	\$	13,550
Accounts payable		<u>678,068</u>
Total liabilities		<u>691,618</u>
FUND BALANCE:		
Unreserved and designated for future expenditures		<u>-</u>
Total fund balance		<u>-</u>
Total liabilities and fund balance	\$	<u><u>691,618</u></u>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported		<u>-</u>
Net assets of governmental activities	\$	<u><u>-</u></u>

See independent auditors' report
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STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Major -Special Revenue Workforce Investment Act</u>
Revenues:	
Federal Grants	\$ <u>5,098,709</u>
Expenditures:	
Current:	
Employment services:	
Program year 07/Fiscal year 08	
Adult	1,920,735
Dislocated Worker	226,493
Youth	1,172,002
Administration	414,208
Program year 06/Fiscal year 07	
Adult	737,003
Dislocated Worker	144,739
Youth	473,535
Administration	9,994
Total Employment services	<u>5,098,709</u>
Capital outlay	<u>-</u>
Total Expenditures	<u>5,098,709</u>
 Change in fund balance	 <u>-</u>
 Fund balance, beginning of year	 <u>-</u>
 Fund balance, end of year	 <u>\$ -</u>
 Amounts reported for governmental activities in the statement of activities are different because:	
 <i>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</i>	
Depreciation expense	<u>(1,518)</u>
Change in net assets of governmental activities	<u>\$ (1,518)</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
WORKFORCE INVESTMENT ACT FUND - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grants	\$ 6,111,816	5,540,130	5,098,709	(441,421)
Expenditures:				
Current:				
Employment services:				
Program year 07/Fiscal year 08				
Adult	1,443,011	1,927,048	1,920,735	6,313
Dislocated Worker	865,604	290,604	226,493	64,111
Youth	1,589,171	1,534,227	1,172,002	362,225
Administration	433,087	422,980	414,208	8,772
Program year 05/Fiscal year 06				
Dislocated Worker	415,672	-	-	-
Program year 06/Fiscal year 07				
Adult	347,212	737,003	737,003	-
Dislocated Worker	534,530	144,739	144,739	-
Youth	473,535	473,535	473,535	-
Administration	9,994	9,994	9,994	-
Total general governmental	<u>6,111,816</u>	<u>5,540,130</u>	<u>5,098,709</u>	<u>441,421</u>
Change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The Southwestern Area Workforce Development Board (SAWDB) was organized pursuant to Section 117 of Public Law 105-220 (Workforce Investment Act of 1998) 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. SAWDB sets policy for Luna, Dona Ana, Sierra, Hidalgo, Grant, Socorro and Catron Counties in the State of New Mexico.

During the year ended June 30, 2008, SAWDB contracted with South Central Council of Governments, a governmental entity, to provide administrative and fiscal agent services. SAWDB also contracted with the New Mexico Department of Workforce Solutions to manage and operate the four local area One-Stop Centers. The SAWDB also contracted with various other vendors 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 Workforce Investment Act of 1998;
- c. Designate or certify one-stop program operators in accordance with the federal Workforce Investment Act of 1998;
- d. Terminate, for cause, the eligibility of the one-stop operator;
- e. Select and provide grants to youth activity providers in accordance with the Workforce Investment Act of 1998;
- f. Identify eligible training and intensive service providers in accordance with Workforce Investment Act of 1998;
- g. Develop a budget subject to approval of the chief elected official;
- h. Develop and negotiate local performance measurements as described in the Workforce Investment Act of 1998 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 Workforce Investment Act of 1998 and employment and training activities authorized pursuant to that act, and conduct oversight of the one-stop delivery system in the local area;
- m. Establish as a subgroup, a youth council, appointed by the local board in cooperation with the chief elected official, and

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- 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 SAWDB'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 SAWDB 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 Assets 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 the entity may have.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net assets on the Statement of Net Assets include the following:

Invested in Capital Assets – the component of net assets 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 assets should be reported as restricted when constraints placed on net assets' use is either externally imposed by law through constitutional provisions or enabling legislation. The SAWDB had no restricted net assets as of June 30, 2008.

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

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 have been reserved for subsequent year's expenditures. The reservation represents the amount of cash appropriated in subsequent year's budget.

Program Revenues:

SAWDB 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, 2008. These revenues are program revenues for the carrying out of program activities of the Workforce Investment Act grant cluster.

GAAP Presentation

The financial statements of the SAWDB are prepared in accordance with Generally Accepted Accounting Principles (GAAP) generally accepted in the United States of America. The SAWDB's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The SAWDB has no proprietary funds or component units.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

2. Fund Financial Statements

Fund financial statements report detailed information about SAWDB. SAWDB has one major fund and no non-major funds for the year ended June 30, 2008. See item 6 for more detail.

3. 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.

4. 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. SAWDB does not receive any tax revenues. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

SAWDB is implementing 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 SAWDB 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). SAWDB recognizes non-exchange transactions in the financial statements as income unless it is not measurable (reasonably estimate), 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.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

5. 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. SAWDB did not have any general long-term debt as of June 30, 2008.

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.

6. Fund Accounting

The accounts of SAWDB 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, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as General Fund and Special Revenue Funds.

The General Fund is the general operating fund; however, the SAWDB has no General Fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Board of Directors authorizes the establishment of Special Revenue Funds.

The following is the special revenue fund that was created by Federal and State specific contractual authority, active in the fiscal year ended June 30, 2008:

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

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 SAWDB 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 SAWDB to other agencies is accounted for in capital

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

assets. Purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

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

	<u>Estimated Useful Life - years</u>
Furniture, fixtures, software and equipment	3-10

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 as depreciation has been recorded on their books accordingly. The contractors and sub-recipients are under the understanding that should the program end or their agreements with SAWDB end, those assets will need to be returned to SAWDB's WIA program.

D. Budgets

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

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

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. 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.

G. Allowances

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

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 in amounts in an aggregated 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.

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, SAWDB's deposits may not be returned to it. SAWDB's deposit policy is to collateralize one half of the uninsured public money in each account.

Deposits as of June 30, 2008 were held in Bank of the Southwest in the name of the South Central Council of Governments. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As of June 30, 2008, the carrying amount of the SAWDB's deposits was \$(13,550).

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, 2008:

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Government Checking Account	Demand Deposits	\$ 616,874	(13,550)
Less: FDIC coverage		(100,000)	
Uninsured balance		<u>516,874</u>	
50% collateral requirement		258,437	

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Pledged collateral:

FHLB Letter of Credit Matures 5/18/09, rate 0%, Cusip # n/a Held by Bank of the Southwest	(market value)	100,000
FHLB Letter of Credit Matures 5/26/09 rate 0%, Cusip # n/a Held by Bank of the Southwest	(market value)	450,000
Subtotal collateral		<u>550,000</u>
Over collateralized	\$	<u>291,563</u>

SAWDB's remaining uninsured and collateralized deposits of \$516,874 are exposed to custodial credit risk. As of June 30, 2008, the amount of the SAWDB's bank balance of that was exposed to custodial credit risk was as follows:

Uninsured and collateral held by the pledging Bank's trust dept. not in SAWDB's name	\$ 516,874
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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>Outstanding Checks</u>	<u>Outstanding Deposits</u>	<u>Book Balance</u>
Bank of the Southwest-Program checking	\$ <u>616,874</u>	<u>(630,636)</u>	<u>212</u>	<u>(13,550)</u>

Due to restriction on Workforce Investment Act funds by the granting agency monies deposited into the account of SAWDB and any program revenue earned by SAWDB are not allowed to be invested.

3. RECEIVABLES

SAWDB had a receivable for a refund of youth monies owed from the Socorro Consolidated Schools in the amount of \$6,420. The SAWDB had grant receivables from the Department of Workforce Solutions in the amount of \$685,378 as of June 30, 2008.

4. DEFERRED REVENUE

During the fiscal year ending June 30, 2008, the SAWDB did not have any deferred revenues.

5. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the SAWDB kept its budgets on the modified accrual basis of accounting during the year ending June 30, 2008, there was no need to reconcile the budget financial statements to fund financial statements.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

6. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2008:

	<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Capital Assets:				
Furniture, fixtures and equipment	\$ 21,650	-	-	21,650
Accumulated Depreciation:				
Furniture, fixtures and equipment	(20,132)	(1,518)	-	(21,650)
Total net capital assets	<u>\$ 1,518</u>	<u>(1,518)</u>	<u>-</u>	<u>-</u>

Current year depreciation expense for the year ended June 30, 2008 was \$1,518. All depreciation for the year has been allocated to the Workforce Investment Act Program. All of SAWDB's equipment have been purchased under government contracts and are restricted as to their use as designated by granting agencies.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN AND POST EMPLOYMENT BENEFITS

During the fiscal year ended June 30, 2008, the SAWDB had no employees eligible for retirement benefits and, therefore, had no retirement benefit expenditures during the year.

8. RISK MANAGEMENT

The SAWDB 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 its fiscal agent SCCOG carried commercial insurance in the name of SAWDB. Settled claims have not exceeded this commercial coverage in the past year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2008, the SAWDB did not have any probable risk of loss.

9. RELATED PARTY TRANSACTIONS

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

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

During the year ended June 30, 2008, purchases for goods and services were made by SAWDB with companies or organizations with which various board members are associated. The following schedule details those purchases by organization/company/association:

<u>Board Member</u>	<u>Organization</u>	<u>Association to SAWDB</u>	<u>Amount</u>
Phyllis McNall	Aging and Long Term Services	Contractor	\$ 20,617
Marlene Herrera	Alamo Navajo School Board	Youth training provider	76,032
Anton Salome	Socorro Consolidated Schools	Youth training provider	153,980
Sylvia Nickerson	Dona Ana Community College	Training provider	387,217
Terri Garcia	Mesilla Valley Training Institute	Training provider	169,100
Jess Landers	Lander's Enterprises	OJT Training provider	2,367
Dolores Haley	New Mexico Department of Worforce Solutions	One-stop provider	1,158,896
Total			<u>\$ 1,947,592</u>

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity's Identifying Number	Grant Award Expended
U.S. Department of Labor passed through New Mexico Department of Workforce Solutions			
Major programs:			
WIA Adult Program:	17.258	08-004-PY07	2,657,738
WIA Youth Activities:	17.259	08-004-PY07	1,645,537
WIA Dislocated Workers:	17.260	08-004-PY07	371,232
WIA 10% activities	17.258	08-004-PY07	-
WIA Administration			
Adult	17.258	08-004-PY07	253,465
Youth	17.259	08-004-PY07	156,933
DW	17.260	08-004-PY07	13,804
Total expenditures			\$ <u>5,098,709</u>

Selected Disclosures

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Southwestern Area Workforce Development Board, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the statement.

2. The Southwestern Area Workforce Development Board did not receive any noncash assistance.

3. Payments to subrecipients

<u>Organization</u>	<u>Amount</u>
New Mexico Department of Workforce Solutions	\$ 1,158,898
Alamo Schools	70,532
Families and Youth, Inc.	746,900
HELP	257,860
Socorro Consolidated School District	141,069
Southwest Regional Education Center	366,281
Total payments to subrecipients	\$ <u>2,741,540</u>

See independent auditors' report
The accompanying notes are an integral part of these financial statements.

COMPLIANCE SECTION

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2500 9th Street NW
Albuquerque, New Mexico 87102
Tel (505) 883-8788
Fax (505) 883-8797

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

The Board of Directors
Southwestern Area Workforce Development Board
Elephant Butte, New Mexico and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund, and the major budgetary comparison of the Southwestern Area Workforce Development Board (SAWDB), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. 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 *Governmental 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 SAWDB'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 SAWDB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SAWDB'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 a combination of control deficiencies, that adversely affects the SAWDB'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

SAWDB's financial statements that is more than inconsequential will not be prevented or detected by the SAWDB's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 08-02.

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 SAWDB'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 internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, item 08-02 to be a material weakness.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the SAWDB'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 instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned costs as items 04-09, 06-02, 08-01 and 08-03.

The SAWDB'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 SAWDB's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Southwestern Area Workforce Development Board's Board of Directors, the NM Department of Finance and Administration, the NM Legislature, management, others within the organization, federal awarding agencies and pass-through entities and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle & Landers, P.C.
November 24, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Southwestern Area Workforce Development Board
Elephant Butte, New Mexico and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of Southwestern Area Workforce Development Board (SAWDB) with the types of compliance requirements described in "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal program for the year ended June 30, 2008. SAWDB's major federal program is 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 grant applicable to its major federal program is the responsibility of SAWDB's management. Our responsibility is to express an opinion on SAWDB'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, "Audit 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SAWDB'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 on the SAWDB's compliance with those requirements.

As described in item 06-02 in the accompanying schedule of findings and questioned costs, SAWDB through its administrative agent, did not comply with requirements regarding obtaining agreements with mandatory partners that are applicable to its Workforce Investment Act grants.

Compliance with such requirements are necessary, in our opinion, for the SAWDB to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, SAWDB complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-09, 08-01 and 08-03.

Internal Control Over Compliance

The management of the SAWDB is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the SAWDB'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 SAWDB's internal control over compliance.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 08-02.

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. We considered 08-02 to be a material weakness.

The SAWDB'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 SAWDB's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Southwestern Area Workforce Development Board's Board of Directors, the NM Department of Finance and Administration, the NM Legislature, management, others within the organization, federal awarding agencies and pass-through entities and the Office of the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
November 24, 2008

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

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

Federal Awards:

Internal Control

Material weaknesses identified?	<u>X</u> yes	__ no
Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u> yes	__ no

Type of auditors' report issued on major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes __ no

Identification of major program as noted below:

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
	Workforce Investment Act:	
17.258	Adult	U.S. Dept. of Labor Passed through the New Mexico Dept. of Workforce Solutions
17.259	Youth	
17.260	Dislocated Worker	

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

Auditee qualified as low-risk auditee? __ yes X no

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION II & III- FINANCIAL STATEMENTS FINDINGS

	Status of Current and Prior Year Findings	SECTION II Financial Statement Finding	SECTION III Federal Awards Finding
04-11 PARTICIPANT FILES-ADULT AND DISLOCATED WORKER AND YOUTH	Resolved	no	yes
04-14 REVENUE/RECEIVABLES/DEFERRED REVENUE	Resolved	yes	no
04-16 APPROVAL OF JOURNAL ENTRIES	Resolved	yes	yes
07-01 CONTRACT SIGNATURES	Resolved	no	yes
04-09 OTHER CONCERNS BY U.S.D.O.L.	Repeated	no	yes
06-02 RESOURCE SHARING AGREEMENTS AND PARTNER AGREEMENTS	Repeated/Revised	no	yes
08-01 FOLLOW UP OF CASE MANAGEMENT FILES	Current	no	yes
08-02 RECORDING OF ACCOUNTS PAYABLE AND ACCOUNT RECEIVABLE	Current	yes	yes
08-03 TIMELY SUBMISSION OF MONTHLY STATUS REPORTS	Current	no	yes

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SIGNIFICANT DEFICIENCIES

04-09 OTHER CONCERNS BY U.S. D.O.L

Statement of Condition

Several problems were noted by U.S. D.O.L. in the delivery of services because SAWDB had been unsuccessful in establishing comprehensive one-stop centers as required by the Workforce Investment Act of 1998. However, many of the requirements under the Act are predicated upon receiving cooperation of other partners who are not under SAWDB's control. Area partners do not necessarily have to be in the same building, however, documentation should be maintained showing that participants are being referred to other partners.

Criteria

WIA Cluster-CFDA 17.258, 17.259 and 17.260 award U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions.

Workforce Investment Act of 1998 laws and regulations must be followed.

Effect

SAWDB was unable to comply with a fully integrated one-stop center therefore leaving participants without being able to receive services from mandated partners in one facility.

Cause

Lack of adequate participation by needed partners.

Questioned Costs

None.

Recommendation

SAWDB and the fiscal/administrative agent should continue its efforts to enlist the required partners' support and involvement with the one-stop centers. To the extent possible, the one-stop centers should continue to provide those services to participants which are required/feasible under the Act which would normally be provided by the mission partner.

Management Response

The New Mexico Department of Workforce Solutions (NMDWS), through its statewide integration of services initiative is preparing local workforce boards, including the SAWDB toward certification of One Stop Comprehensive Centers. The Southwestern Area Workforce Development Board (SAWDB) is awaiting further instructions from NMDWS.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

06-02 RESOURCE SHARING AGREEMENTS AND PARTNER AGREEMENTS

Statement of Condition

It was noted that the SAWDB has not developed resource sharing agreements and partner agreements.

Criteria

WIA Cluster-CFDA 17.258, 17.259 and 17.260 award U.S. Department of Labor passed through the New Mexico Department of Workforce Solutions.

WIA Section 121 (c) mandates that required partners enter into an agreement with the local board relating to the operation of the one-stop system. In order to ensure that referrals of participants to those organizations are not hindered.

Effect

The Board is not in compliance with WIA Section 121 and therefore does not have a working integrated one-stop facility to serve participants.

Cause

Unable to get all required partners to comply.

Questioned Costs

None.

Recommendation

The SAWDB should develop the necessary agreements as soon as possible.

Management Response

Of the thirteen (13) Partner agreements, eleven (11) have been completed, except for two (2), NMDWS and the New Mexico Department of Vocational Rehabilitation (DVR). The agreement from the NMDWS has recently been received and on-going efforts to obtain DVRs continue.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

08-01 FOLLOW-UP OF CASE MANAGEMENT FILES

Statement of Condition

Out of 40 adult/dislocated worker and youth participants tested, 10 out of 40 files had not been followed up with properly. There were gaps in case management notes more than 90 days before attempt to contact the participant was made before the files were audited and three of those files did not have documentation that the quarterly follow-up after exit were done.

Criteria

Reference: CFDA # 17.258 WIA Adult, 17.259 WIA Youth, 17.260 WIA Dislocated Worker.
Federal Grantor: US Department of Labor passed through the New Mexico Department of Workforce Solutions. Grant Year: PY07

Proper follow-up procedures should be followed and documented in participants' case management files. WIA also requires that participant files should be followed up on and if no contact can be made with the participant within 90 days, that person should be exited from the program. WIA Act also requires that follow-up be performed quarterly after a participant exits from the program.

Effect

Not all files have adequate documentation for the follow-up services provided as required by the WIA program grant. Performance reports concerning the area of job retention could be affected.

Cause

Not all older files had been updated to provide information required by the WIA.

Questioned Costs

None

Recommendation

More training in the case notes, exiting and follow-up areas should be provided to the contractors. Perhaps there should be a more standardized operating timeline that should be implemented. For example, a day each month could be set aside where appointments would not be taken to allow case managers to update and review files of participants not heard from in a while.

Management Response

Management will be assessing the follow up weakness by immediately monitoring the service providers who did not provide proper participant follow up and offer technical assistance and training.

STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

08-03 TIMELY SUBMISSION OF MONTHLY STATUS REPORTS

Statement of Condition

We noted during the year seven out of the twelve monthly status reports were submitted late to the NM Department of Workforce Solutions.

Criteria

NM Department of Workforce Solutions requires that the reports be submitted by the 20th calendar day after the month end. Reports should be complete and accurate.

Effect

Monthly status reports were not submitted on time and the Department of Workforce Solutions did not have timely information given to them so that they would be able to prepare their reports to the U.S. Department of Labor in a timely manner.

Cause

Late reporting of expenditures from contractors.

Recommendation

Monthly status report should be prepared on time and reviewed before submission to NM Department of Workforce Solutions.

Management Response:

Monthly Status Report were in fact late in being submitted to NM DWS. This was due in part to late reporting by youth providers and no invoices from the NM DWS. In some cases, in order that our expenses would not affect the Fund Utilization Rate (FUR) staff expenses for NM DWS were projected which required an adjustment at the end of the year.

NM DWS assigned an individual to work directly with the SAWDB to submit timely invoices for staff on a quarterly basis and Monthly Status Reports are currently being submitted by the 20th of each month with or without timely reporting by our youth providers.

MATERIAL WEAKNESSES

08-02 RECORDING OF ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

Statement of Condition

As of the year ended June 30, 2008 it was necessary for us to propose audit adjustments for expenditures not recorded as accounts payable in the amount of \$685,378 and to also propose adjustment for the corresponding receivable.

Criteria

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

WIA Cluster-CFDA 17.258, 17.259 and 17.260 award U.S. Department of Labor passed through the NM Department of Workforce Solutions.

All governmental funds should be 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. Book should be left open for a reasonable period of time after the fiscal year end in order to be able to enter invoices for year end expenses that come in after the year end.

Also the SAWDB is to comply with Statement of Auditing Standards (SAS) 112 implemented as of December 15, 2006. Some of the key underlying concepts of this standard are

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain.

Effect

Revenue and expenditures for the year were understated and significant adjustments were required.

Cause

Staff that had performed this procedure in the prior year had left the organization.

Questioned Costs

None.

Recommendation

Revenue should be recorded when costs are incurred and should reconcile to the requests for funds sent to the granting agency and excess amounts not earned should be deferred to the next year and recorded on the balance sheet. The balance sheet accounts should be monitored throughout the year to ensure that proper balances are reflected in those accounts.

Management Response

The books will be kept open for a longer period of time and all Accounts Payable Invoices (API's) will have a date of June 30 and will be recorded in the proper accounting period for each audit year. This was not a finding in the prior year and is due in part to staff turnover.

**STATE OF NEW MEXICO
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD
EXIT CONFERENCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

An exit conference was held in a closed session on November 24, 2008 and the contents of this report were discussed. Present at the exit conference were:

Representing Southwestern Area Workforce Development Board:

Earl Greer	Board Chairman
Kelly Sweetser	Board Member
Jay Armijo	Executive Director, South Central Council of Governments
Steve Duran	WIA Program Administrator
Judy Jojola	WIA Financial Manager
Linda Lanham	Asst. Executive Director, South Central Council of Governments

Representing Hinkle & Landers, P.C.:

Farley Vener, CPA, CFE	Partner
Odessa Hamilton	Audit Manager

PREPARATION OF FINANCIAL STATEMENTS

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