

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

**FINANCIAL STATEMENTS WITH INDEPENDENT  
AUDITORS' REPORT**

**For the Fiscal Year Ended June 30, 2009**

**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, 2009**

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**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
OFFICIAL ROSTER  
As of June 30, 2009**

<b>DIRECTORS</b>	<b>POSITION</b>
<b>Earl Greer</b>	<b>Chairman</b>
<b>Terri Garcia</b>	<b>Vice Chairperson</b>
<b>E.B. Armijo</b>	<b>Board Member</b>
<b>Art Armijo</b>	<b>Board Member</b>
<b>Tom Burris</b>	<b>Board Member</b>
<b>Oscar Vasquez-Butler</b>	<b>Board Member</b>
<b>David Carrillo</b>	<b>Board Member</b>
<b>Mary Ann Chavez-Lopez</b>	<b>Board Member</b>
<b>Jean Fraissinet</b>	<b>Board Member</b>
<b>Roque Garcia</b>	<b>Board Member</b>
<b>David S. Gershenson</b>	<b>Board Member</b>
<b>Alonzo Gonzales</b>	<b>Board Member</b>
<b>Steve Green</b>	<b>Board Member</b>
<b>Dolores Haley</b>	<b>Board Member</b>
<b>Charles Harster</b>	<b>Board Member</b>
<b>Marlene Herrera</b>	<b>Board Member</b>
<b>Timothy Jimenez</b>	<b>Board Member</b>
<b>Jess Landers</b>	<b>Board Member</b>
<b>Kathryn Lee</b>	<b>Board Member</b>
<b>Mary Jo Lipinski</b>	<b>Board Member</b>
<b>Anthony Lujan</b>	<b>Board Member</b>
<b>Leroy Madrid</b>	<b>Board Member</b>
<b>Mateo Madrid</b>	<b>Board Member</b>
<b>Lori Martinez</b>	<b>Board Member</b>

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
OFFICIAL ROSTER  
As of June 30, 2009**

<b>Phyllis McNall</b>	<b>Board Member</b>
<b>Valerie Medina</b>	<b>Board Member</b>
<b>Sylvia Nickerson</b>	<b>Board Member</b>
<b>Louise Peterson</b>	<b>Board Member</b>
<b>Michelle Phillips</b>	<b>Board Member</b>
<b>Minerva Rayos</b>	<b>Board Member</b>
<b>Bryan Reedy</b>	<b>Board Member</b>
<b>Marie Richter</b>	<b>Board Member</b>
<b>Leo Rosas</b>	<b>Board Member</b>
<b>Anton Salome</b>	<b>Board Member</b>
<b>Jim Schoonover</b>	<b>Board Member</b>
<b>Jo Anne Shelby</b>	<b>Board Member</b>
<b>Linda Smrkovsky</b>	<b>Board Member</b>
<b>Kelly Sweetser</b>	<b>Board Member</b>
<b>Gloria Terrazas-Barnes</b>	<b>Board Member</b>
<b>Rheganne Vaughn</b>	<b>Board Member</b>
<b>Jerry Welch</b>	<b>Board Member</b>
<b>Jay Armijo</b>	<b>Executive Director, SCCOG</b>

# Hinkle & Landers, P.C.

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

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## **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 major fund budgetary comparison of the Southwestern Area Workforce Development Board (SAWDB) for the year ended June 30, 2009, 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, 2009, 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.

In accordance with Government Auditing Standards, we have also issued a report dated November 19, 2009 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.

For the year ended June 30, 2009, 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.

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 19, 2009  
Hinkle & Landers, PC

## **FINANCIAL SECTION**

**STATE OF NEW MEXICO**  
**SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**(GOVERNMENT-WIDE)**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 436,074
Grant receivables	<u>233,782</u>
Total current assets	<u>669,856</u>
 Total assets	 <u><u>\$ 669,856</u></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ <u>669,856</u>
Total current liabilities	<u>669,856</u>
<b>NET ASSETS:</b>	
Investment in capital assets	<u>-</u>
Total net assets	<u>-</u>
 Total liabilities and net assets	 <u><u>\$ 669,856</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, 2009**

<b>Functions/Programs</b>	<u><b>Expenses</b></u>	<u><b>Program Operating Grants and Contributions</b></u>	<u><b>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</b></u>
<b>Governmental activities:</b>			
Workforce Investment Act program:			
Program year 08/fiscal year 09	3,908,198	3,908,198	-
American Recovery and Reinvestment Act	199,980	199,980	-
10% State Set Aside	<u>10,776</u>	<u>10,776</u>	-
	4,118,954	4,118,954	<u>-</u>
General revenues:			<u>-</u>
Change in net assets			<u>-</u>
Net assets, beginning of year			<u>-</u>
Net assets, end of year			<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  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2009**

		<u>Major -Special Revenue Workforce Investment Act</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$	436,074
Grant receivables		<u>233,782</u>
Total assets	\$	<u><u>669,856</u></u>
<b>LIABILITIES:</b>		
Accounts payable	\$	<u>669,856</u>
Total liabilities		<u>669,856</u>
<b>FUND BALANCE:</b>		
Unreserved and designated for future expenditures		<u>-</u>
Total fund balance		<u>-</u>
Total liabilities and fund balance	\$	<u><u>669,856</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  
The accompanying notes are an integral part of these financial statements

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, 2009

	<u>Major -Special Revenue Workforce Investment Act</u>
<b>Revenues:</b>	
Federal Grants	\$ <u>4,118,954</u>
<b>Expenditures:</b>	
Current:	
Employment services:	
PY 08 and FY 09	
Adult	1,507,447
Dislocated Worker	268,794
Youth	1,786,456
Administration	345,501
10% State Set Aside	10,776
American Recovery and Reinvestment Act	
Adult	54,501
Dislocated Worker	109,702
Youth	35,777
Total Employment services	4,118,954
Capital outlay	-
Total Expenditures	4,118,954
Change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	\$ -

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

*Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.*

Depreciation expense	-
Change in net assets of governmental activities	\$ -

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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants	\$ 4,049,674	6,521,543	4,118,954	(2,402,589)
<b>Expenditures:</b>				
Current:				
Employment services:				
American Recovery and Reinvestment Act				
Adult	-	567,051	54,501	512,550
Youth	-	1,374,871	35,777	1,339,094
Dislocated Worker	-	282,759	109,702	173,057
Administration	-	247,188	-	247,188
PY 08 and FY 09				
Adult	1,482,846	1,542,846	1,507,447	35,399
Dislocated Worker	414,600	354,600	268,794	85,806
Youth	1,789,760	1,789,760	1,786,456	3,304
Administration	346,468	346,468	345,501	967
10% State Set Aside	16,000	16,000	10,776	5,224
Total general governmental	<u>4,049,674</u>	<u>6,521,543</u>	<u>4,118,954</u>	<u>2,402,589</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>

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, 2009**

**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, 2009, 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, 2009**

- 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, 2009**

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, 2009.

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, 2009. 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, 2009**

**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, 2009. 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, 2009**

**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, 2009.

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, 2009:

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, 2009**

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, 2009**

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, 2009 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, 2009, the carrying amount of the SAWDB's deposits was \$436,074.

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, 2009:

<u>Account Name</u>	<u>Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Checking Account-non interest bearing	Demand Deposits	\$ 564,340	436,074
Less: FDIC coverage		(564,340)	
Uninsured balance		-	
50% collateral requirement		-	

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SAWDB's bank (Bank of the Southwest) is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount of the account. As of June 30, 2009, 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                      \$ -

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>564,340</u>	<u>(128,431)</u>	<u>165</u>	<u>436,074</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**

The SAWDB had grant receivables from the Department of Workforce Solutions in the amount of \$233,782 as of June 30, 2009.

**4. DEFERRED REVENUE**

During the fiscal year ending June 30, 2009, 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, 2009, 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, 2009**

**6. CAPITAL ASSETS AND DEPRECIATION**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2009:

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
Capital Assets:				
Furniture, fixtures and equipment	\$ 21,650	-	-	<b>21,650</b>
Accumulated Depreciation:				
Furniture, fixtures and equipment	(21,650)	-	-	<b>(21,650)</b>
Total net capital assets	\$ -	-	-	<b>-</b>

Current year depreciation expense for the year ended June 30, 2009 was \$-. 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, 2009, 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, 2009, 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, 2009**

During the year ended June 30, 2009, 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>
Marlene Herrera	Alamo Navajo School Board	Youth training provider	\$ 53,448
Anton Salome	Socorro Consolidated Schools	Youth training provider	115,471
Sylvia Nickerson/ Jerry Welch	Dona Ana Community College	Training provider	166,330
Terri Garcia	Mesilla Valley Training Institute	Training provider	100,205
Jess Landers	Lander's Enterprises	OJT Training provider	4,242
Dolores Haley	New Mexico Department of Worforce Solutions	One-stop provider	823,536
Total			<u>\$ 1,263,232</u>

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity's Identifying Number</b>	<b>Grant Award Expended</b>
U.S. Department of Labor passed through New Mexico Department of Workforce Solutions			
Major programs:			
WIA Adult Program:	17.258	08-004-PY08	1,561,948
WIA Youth Activities:	17.259	08-004-PY08	1,822,233
WIA Dislocated Workers:	17.260	08-004-PY08	378,496
WIA 10% activities	17.258	08-004-PY08	10,776
WIA Administration			
Adult	17.258	08-004-PY08	143,423
Youth	17.259	08-004-PY08	167,323
DW	17.260	08-004-PY08	34,755
			<hr/>
Total expenditures			\$ <u><u>4,118,954</u></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*

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	\$ 823,536
Alamo Schools	72,448
Families and Youth, Inc.	712,952
HELP	288,253
Socorro Consolidated School District	115,471
Southwest Regional Education Center	328,951
	<hr/>
Total payments to subrecipients	\$ <u><u>2,341,611</u></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*

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2500 9<sup>th</sup> Street NW  
Albuquerque, New Mexico 87102  
Tel (505) 883-8788  
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## **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, 2009, and have issued our report thereon dated November 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 08-02 and 09-01.

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 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.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, P.C.  
November 19, 2009

# Hinkle & Landers, P.C.

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

---

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

## **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, 2009. 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.

In our opinion the 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, 2009. 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 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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 08-02 and 09-01.

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 19, 2009

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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?	__ yes	<u>X</u> 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 Unqualified

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
17.259	Youth	Passed through the
17.260	Dislocated Worker	New Mexico Dept. of Workforce Solutions

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, 2009**

**SECTION II & III- FINANCIAL STATEMENTS FINDINGS**

	<b>Status of Current and Prior Year Findings</b>	<b>SECTION II Financial Statement Finding</b>	<b>SECTION III Federal Awards Finding</b>
Prior year			
04-09 OTHER CONCERNS BY U.S.D.O.L.	Resolved	no	yes
06-02 RESOURCE SHARING AGREEMENTS AND PARTNER AGREEMENTS	Resolved	no	yes
08-01 FOLLOW UP OF CASE MANAGEMENT FILES	Repeated	no	yes
08-02 RECORDING OF ACCOUNTS PAYABLE AND ACCOUNT RECEIVABLE	Repeated	yes	yes
08-03 TIMELY SUBMISSION OF MONTHLY STATUS REPORTS	Repeated	no	yes
Current			
09-01 FORMAL SIGN OFF ON REVIEWED DOCUMENTS	Current	yes	yes

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

***SIGNIFICANT DEFICIENCIES***

**08-01 FOLLOW-UP OF CASE MANAGEMENT FILES**

**Statement of Condition**

Out of 60 adult/dislocated worker and youth participants tested, 10 adult and 11 youth files out of 60 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 many 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.

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 addressing the deficiencies in Follow-up of Case Management Files by intensifying the review process of programs that have been found to be deficient. Management will implement a monthly desk review of these programs and provide direct training to address



**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

this issue as well as develop additional ongoing training and guidance to personnel to ensure future compliance.

**08-03 TIMELY SUBMISSION OF MONTHLY STATUS REPORTS**

**Statement of Condition**

We noted during the year four out of the twelve monthly status reports were submitted late to the NM Department of Workforce Solutions. This occurred mostly during the first part of the fiscal year ended.

**Criteria**

NM Department of Workforce Solutions requires that the reports be submitted by the 20<sup>th</sup> 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**

Due to late reporting of expenditures from contractors, the finance director was unable to meet deadlines early in the year.

**Recommendation**

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

**Management Response:**

Some monthly status reports were not submitted timely due to staff turnover. However, all reports affecting reporting on a quarterly basis by the NM Department of Workforce Solutions were submitted timely. Management agrees that reports should be submitted on a timely basis and will make every effort to do so. The receipt of ARRA funds put an added burden on everyone and thus was a part of the cause for the late submittal of reports.

Every attempt is being made to submit them timely in the current year. Because we cannot have excess cash on hand we are currently submitting our reports on a bi-monthly basis.

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**09-01 FORMAL SIGN OFF ON REVIEWED DOCUMENTS**

**Statement of Condition**

It was noted that the check registrars, bank reconciliations and journal vouchers had not been signed off on by the person in charge of review after they had been reviewed for the months of April, May and June.

**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: PY08

Good internal control practices required that documents prepared by staff should be reviewed by an individual charged with oversight and signed by that reviewer to evidence such and action was taken.

**Effect**

There is not physical evidence that review functions had taken place.

**Cause**

The Fiscal offices moved locations during that period of time and a key employee left the organization. Forms were reviewed but not signed.

**Questioned Costs**

None

**Recommendation**

Ensure that documents are signed of on after being reviewed.

**Management's Response**

Due to the sudden departure of the only full-time staff member on two occasions and only two part-time people working for 4 ½ months and the move check registers, bank reconciliations and journal vouchers were not always signed off on. While there is no physical evidence that review functions had taken place all bank reconciliations and journal vouchers were reviewed by the Fiscal Administrator. The check registers may have been overlooked but all sessions for printing checks had been reviewed by the Fiscal Administrator and the bank statements and accompanying copies of checks are reviewed by an individual in the office who does not have rights to our accounting system. We have rectified this problem already and everything is being signed by the Fiscal Administrator immediately. We are fully staffed now and we have our internal controls back in place.

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

***MATERIAL WEAKNESSES***

**08-02 RECORDING OF ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE**

**Statement of Condition**

As of the year ended June 30, 2009 it was necessary for us to propose audit adjustments for expenditures not recorded as accounts payable in the amount of \$377,563 and to also propose adjustment for the corresponding receivable. The client recorded this entry immediately.

**Criteria**

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 for accrual basis accounting and significant adjustments were required.

**Cause**

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

**Questioned Costs**

None.

**STATE OF NEW MEXICO**  
**SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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**

With the hiring of a full time staff person for our MIP system this should no longer be a finding. We are posting expenses as they are received, keyed and reviewed. There will be a monthly meeting with our MIP consultant to review all expenses and revenue (financial statements). At these monthly meetings any errors will be corrected and we will alleviate inaccurate year end statements. We had intended to do this in PY 08 but because of staff turnover and the move and ARRA funds there was no time. We are making the time this year even if it means working for a couple of hours on Saturday.

**STATE OF NEW MEXICO  
SOUTHWESTERN AREA WORKFORCE DEVELOPMENT BOARD  
EXIT CONFERENCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

An exit conference was held in a closed session on November 19, 2009 and the contents of this report were discussed. Present at the exit conference were:

Representing Southwestern Area Workforce Development Board:

Earl Greer	Board Chairman
Jim Schoonover	Board Vice-Chair
Linda Smrkovsky	Board Member
Jay Armijo	Executive Director, South Central Council of Governments
Judy Jojola	WIA Financial Manager

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.