



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

NORTH CENTRAL REGIONAL  
TRANSIT DISTRICT

FINANCIAL STATEMENTS

For the year ended December 31, 2010  
With Comparative for 2009



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Independent Auditors' Report  
And  
Financial Statements**

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Independent Auditors' Report  
And  
Financial Statements**

**OFFICIAL ROSTER  
As of June 30, 2010**

**Board of Directors**

<b>Board Member</b>	<b>Title</b>	<b>Representing</b>
Rosemary Romero, Chair	Councilor	City of Santa Fe
Robert J. Seeds, Vice Chair	Councilor	City of Española
Mike Wismer, Secretary	Councilor	County of Los Alamos
Elias Coriz	Commissioner	County of Rio Arriba
Liz Stefanics	Commissioner	County of Santa Fe
Daniel R. Barrone	Commissioner	County of Taos
Virgil Cata	1st Lt. Governor	Pueblo of Ohkay Owingeh
Tim Vigil		Pojoaque Pueblo
Pat Naranjo	Tribal Sheriff	Pueblo of Santa Clara
Raymond Martinez		Pueblos of San Ildefonso
Charles Dorame	Governor	Pueblos of Tesuque

**Administration**

<b>Name</b>	<b>Title</b>
Josette Lucero	Executive Director



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**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Management of  
North Central Regional Transit District  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) as of and for the year ended June 30, 2010, as listed in the table of contents. We have also audited the schedule of revenues and expenses and changes in net assets —budget (non-GAAP budget basis) and actual presented as supplemental information for the year ended June 30, 2010, as listed in the table of contents. These financial statements and budget comparison schedule are the responsibility of the NCRTD's management. Our responsibility is to express opinions on these financial statements and budget comparison schedule based on our audit. The prior year summarized comparative information has been derived from the NCRTD's June 30, 2009 financial statements and in our report dated February 15, 2011, we expressed unqualified opinions on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NCRTD as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedule referred to above presents fairly, in all material respects, the budget comparison of the NCRTD for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, on our consideration of the NCRTD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The NCRTD has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board 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 NCRTD'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 additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hinkle & Landers, P.C.*

Hinkle & Landers, P.C.  
September 19, 2011

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF NET ASSETS  
As of June 30, 2010 With Comparative Totals For 2009**

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,708,648	1,304,374
Receivables	<u>1,520,591</u>	<u>250,275</u>
<b>Total Current Assets</b>	<u><b>5,229,239</b></u>	<u><b>1,554,649</b></u>
 <b>Non-Current Assets</b>		
Other assets	<b>650</b>	600
 <b>Capital Assets, net of accumulated depreciation</b>	<u><b>2,841,769</b></u>	<u>1,245,723</u>
<b>Total Assets</b>	<u><b>\$ 8,071,658</b></u>	<u><b>2,800,972</b></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 276,601	31,939
Due to other governments	<b>1,036,398</b>	-
Payroll related liabilities	<b>116,933</b>	78,360
Funds held for others	<b>1,194</b>	-
Compensated absences - current portion	<u>47,673</u>	<u>40,727</u>
<b>Total Current Liabilities</b>	<u><b>1,478,799</b></u>	<u>151,026</u>
 <b>Non-Current Liabilities</b>		
Compensated absences - non-current portion	<u><b>39,006</b></u>	<u>33,466</u>
<b>Total Liabilities</b>	<u><b>1,517,805</b></u>	<u>184,492</u>
 <b>NET ASSETS</b>		
<b>Unrestricted</b>		
Invested in capital assets	<b>2,841,769</b>	1,245,723
Unrestricted, undesignated	<b>3,012,084</b>	880,600
<b>Restricted - Working Capital</b>	<u><b>700,000</b></u>	<u>490,157</u>
<b>Total Net Assets</b>	<u><b>6,553,853</b></u>	<u>2,616,480</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 8,071,658</b></u>	<u><b>2,800,972</b></u>

**SEE INDEPENDENT AUDITORS' REPORT**

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2010 With Comparative Totals For 2009**

	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES</b>		
Charges for services (program revenues)	\$ <b>15,484</b>	12,394
Total operating revenues	<b>15,484</b>	12,394
<b>OPERATING EXPENSES</b>		
<b>Personnel Services</b>		
Salaries and wages	<b>1,389,630</b>	1,120,165
Payroll taxes	<b>83,796</b>	89,715
Employee benefits	<b>484,615</b>	431,399
Total Personnel Services	<b>1,958,041</b>	1,641,279
<b>Other Operating Expenses</b>		
Advertising	<b>49,486</b>	84,454
Dues, licenses and fees	<b>5,316</b>	2,519
Equipment expense	<b>245,582</b>	17,547
Insurance	<b>49,254</b>	41,711
Travel, meetings, travel, lodging, and per diem	<b>27,969</b>	21,293
Occupancy and utilities	<b>34,650</b>	23,982
Office supplies, postage and photocopies	<b>21,031</b>	22,461
Penalties and interest	<b>107</b>	-
Professional services	<b>350,456</b>	145,417
Repairs and maintenance	<b>37,307</b>	62,361
Telephone and Internet	<b>27,677</b>	19,729
Training	<b>3,927</b>	5,967
Transit expenses	<b>377,946</b>	331,077
Uniforms	<b>7,072</b>	12,743
Vehicle repairs and maintenance	<b>213,728</b>	212,093
Depreciation	<b>360,575</b>	242,723
Total other operating expenses	<b>1,812,083</b>	1,246,077
Total Operating Expenses	<b>3,770,124</b>	2,887,356
Operating Income (Loss)	<b>(3,754,640)</b>	(2,874,962)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Federal grants	<b>3,271,041</b>	1,578,156
State and local grants	<b>15,000</b>	688,910
Member local match	<b>896,197</b>	926,090
Gross receipts and other taxes	<b>7,112,057</b>	-
Gross receipts passed-thru to other entities	<b>(3,558,285)</b>	-
Interest income	<b>5,400</b>	7,348
Total non-operating revenues (expenses)	<b>7,741,410</b>	3,200,504
Change in net assets	<b>3,986,770</b>	325,542
Net assets, beginning of year	<b>2,616,480</b>	2,290,938
Restatement	<b>(49,397)</b>	-
Beginning net assets-as restated	<b>2,567,083</b>	2,290,938
Net assets, end of year	<b>\$ 6,553,853</b>	2,616,480

**SEE INDEPENDENT AUDITORS' REPORT**

The accompanying notes are an integral part of these financial statements.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2010 With Comparative Totals For 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers (charges for services)	\$ 15,484	12,394
Cash paid to employees (personnel services)	(1,906,982)	(1,728,880)
Cash paid to suppliers (other operating expenses)	(1,205,702)	(1,064,958)
Net cash provided (used) by operating activities	<b>(3,097,200)</b>	(2,781,444)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Cash received from grants and agreements	2,862,525	3,674,871
Cash received from gross receipts and other taxes	7,112,057	-
Cash paid to other entities for pass-thru taxes	(2,521,887)	-
Net cash provided by (used for) noncapital financing activities	<b>7,452,695</b>	3,674,871
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash paid for acquisition of capital assets	(1,956,621)	(784,987)
Net cash provided by (used for) capital and related financing activities	<b>(1,956,621)</b>	(784,987)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash received from interest on cash and cash equivalents	5,400	7,348
Net cash provided by (used for) investing activities	<b>5,400</b>	7,348
Net increase (decrease) in cash and cash equivalents	<b>2,404,274</b>	115,788
Cash and cash equivalents, beginning of year	<b>1,304,374</b>	1,188,586
Cash and cash equivalents at end of year	<b>\$ 3,708,648</b>	1,304,374

**Reconciliation of operating loss to net cash used in operating activities**

Operating income/(loss)	\$ (3,754,640)	(2,874,962)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation expense	360,575	242,723
Change in assets and liabilities:		
Other assets	(50)	-
Accounts payables	244,662	(61,604)
Payroll related liabilities	38,573	(110,402)
Funds held for others	1,194	-
Compensated absences	12,486	22,801
Net cash used by operating activities	<b>\$ (3,097,200)</b>	(2,781,444)

**SEE INDEPENDENT AUDITORS' REPORT**

The accompanying notes are an integral part of these financial statements.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

**NOTE 1—NATURE OF OPERATIONS**

**Purpose**

The NCRTD was established in September 2004, and operations of the NCRTD commenced in May 2005. The purpose of the NCRTD is to:

- A. Serve the public by providing for the creation of regional networks of safe and efficient public transit services;
- B. Allow multi-jurisdictional public transit systems to reduce the congestion of single-occupant motor vehicle traffic by providing transportation options for residents;
- C. Decrease automobile accidents by reducing traffic congestion on freeways and streets;
- D. Reduce noise and air pollution produced by motor vehicles.
- E. Prolong and extend the life of New Mexico's existing roadways by easing the traffic burden;
- F. Provide residents with a choice of transportation alternatives so that seniors, youth, low-income and mobility-impaired residents and others unable to drive or afford motor vehicles continue to have full access to the goods, services, jobs and activities of the community;
- G. Improve the New Mexico economy by increasing workforce and citizen access to education and higher paying jobs; and
- H. Prolong and extend petroleum resources.

**Membership**

The NCRTD is a membership organization that is open to governmental units, which means the State of New Mexico, Counties, Municipalities of New Mexico, Indian Nations, Tribes, and or Pueblos located within the boundaries of Los Alamos, Rio Arriba of Santa Fe Counties in New Mexico may join. Members may be added or deleted pursuant to Article VIII of the NCRTD's bylaws and State Statute Section 73-25-17.

The Board is composed of one Director from each participating member of the NCRTD. A Director shall be an elected official or official designee, Tribal Governor or Tribal Council Member. The Director shall hold office until removed by the appointing member governmental unit or until the Director no longer holds elective office in the governing body of the appointing governmental unit or until the Director submits written resignation to the Chairman of the Board. Directors shall not serve a term longer than four years unless re-appointed by their Member governing body.

**Reporting Entity**

The financial statements of the NCRTD encompass the activities of the NCRTD and any applicable component units.

In evaluating how to define the NCRTD, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 selection 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 benefits the government and/or 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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, there were no component units identified as needing to be disclosed or presented as part of the reporting entity.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

**A— Measurement focus, basis of accounting, and financial statement presentation**

The NCRTD's activities are reported as business-type activities. As a result, the financial statements are comprised solely of proprietary fund financial statements. Proprietary statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the NCRTD are user fees generated from transportation services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In 2008, the NCRTD began generating user fees and these amounts are expected to increase as the NCRTD continues to grow and develop, with the exception of if the board elects to suspend the user fees.

The NCRTD applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The NCRTD has elected not to apply FASB statements and interpretations issued after November 30, 1989.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

When both restricted and unrestricted resources are available for use, it is the NCRTD's policy to use applicable restricted resources first, then unrestricted resources as they are needed.

**B—Use of Estimates**

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

**C—Advertising**

The NCRTD expenses advertising costs as incurred. Advertising costs are incurred primarily for the dissemination of program information.

**D—Net Assets**

The proprietary fund financial statements utilize a net asset presentation. Net Assets are categorized in the following three categories: invested in capital assets (net of related debt), restricted and unrestricted.

1. Invested in Capital Assets (net of related debt)—Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The NCRTD did not have any related debt during the year ended June 30, 2010.
2. Restricted net assets—Consist of net assets with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.
3. Unrestricted net assets—Consists of assets less liabilities after the amount invested in capital assets and any restricted net assets have been subtracted.

The statement of net assets reports \$700,000 of net assets restricted by enabling legislation. All the restricted net assets are considered restricted by enabling legislation under the various grant and contract agreements. The enabling legislation has been determined to be legally enforceable. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

**E—Reclassifications**

Certain reclassifications have been made to the 2009 financial statements to conform to those used in 2010.

**F—Prior Year Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the NCRTD’s financial statements for the year ended June 30, 2009, from which the summarized information was derived.

**G—Cash and Cash Equivalents**

For purposes of the statement of cash flows, the NCRTD considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents

**H—Capital Assets**

Capital assets are defined by the NCRTD as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the NCRTD during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the NCRTD are depreciated using the straight line method over the following estimated useful lives:

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Perpetuity
Buildings and improvements	20 - 40 years
Leasehold improvements	20 years
Vehicles	5 - 7 years
Furniture, fixtures, & equipment	5 - 7 years

**I—Donated Capital Assets**

Donations of capital assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the NCRTD reports

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
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expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The NCRTD reclassifies restricted net assets to unrestricted net assets at that time. During the year ended June 30, 2010, the NCRTD did not receive any contributed capital assets.

**J—Compensated Absences**

The NCRTD's policy permits employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the NCRTD and its employees is accrued as employees earn the right to the benefits. Compensated absences that related to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences liability includes annual leave which has been accrued but not taken. Sick leave is not required to be paid out upon termination and therefore is not part of the liability calculated at year 2010, and 2009.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. The maximum amount that may be accumulated and carried over into the following year is not to exceed two (2) times the annual maximum accrual. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the "changes in long term debt" note in this report for the accrued compensated absences payable outstanding as of At June 30, 2010.

**K—Grant Revenues**

Proceeds from the Department of Transportation and other grants are considered voluntary nonexchange revenues under GASB Statement 33. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when the NCRTD has incurred an allowable expenditure under the terms of the grant agreement. Other grant revenue consists of grants from members of the NCRTD, to include monies for which the NCRTD must match (through user fees or other grants) at least one dollar for every four dollars provided by the Department of Transportation grant.

**L—Budgets**

The NCRTD's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenses. The budgets is presented on the modified accrual basis of accounting, which does not include capitalizing fixed capital assets over \$5,000, instead these expenditures are presented as capital outlay.

The Financial Manager prepares an overall budget by project fund for the NCRTD which is adopted by the Board. This Budget includes expected receipts and expenditures of the Operating Fund. The NCRTD is required to prepare budgets for each program for submission directly to that program's funding source. Each funding source has its own requirements as to the timing of budget preparation and interim reports, line items and categories to be used and amounts to be included. Some require a report of grantor expenditures only, while others require a report of total program expenditures. The budgets, used by the NCRTD to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore, the NCRTD legally approves its budget by total expenditures by fund.

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
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America. The only difference between the GAAP basis and the GAAP budgetary basis financial statements are that the GAAP budgetary basis records capital outlay as an expenditure and the GAAP basis financial statements capitalizes those amounts of \$5,000 and greater.

The time, at which appropriations lapse, depends on the funding source and related legal requirements. Unexpended appropriations funded by all grants do not lapse at the fiscal year-end and may be carried forward. There were no appropriations received by the NCRTD as of June 30, 2010.

The legal level of budgetary control is as follows: personnel expenses and other operating expenses. The level of classification detail at which expenditures may not legally exceed appropriations varies depending on the funding source. The legally permissible methods for amending the initially approved budget vary depending on the funding source. Applications for additional funds must be submitted to the funding source. The presented budgetary information has been properly amended during the year.

New Mexico State law prohibits The NCRTD from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2010/2011 budget has been legally adopted.

**NOTE 3—CASH AND CASH EQUIVALENTS**

Please see the Schedule of Cash and Deposits and Pledged Collateral By Bank and Account in the supplementary information section of the audit report. Below are required disclosures regarding credit and interest risk.

The NCRTD's cash balances consist of demand deposits. The NCRTD's cash balances totaled the following as of June 30, 2010 and 2009.

<b><u>Cash and Cash Equivalents</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Cash		
Los Alamos National Bank - Checking	\$ <b>3,690,971</b>	1,296,351
Bank of America Espanola	<b>17,677</b>	8,023
Total	\$ <b><u>3,708,648</u></b>	<b><u>1,304,374</u></b>

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the NCRTD's deposits may not be returned to it. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

As of June 30, 2010, all of the NCRTD's uninsured deposits were collateralized with securities held by pledging financial institution's trust department or agent in the NCRTD's name. Specific details of the collateralization of the NCRTD's deposits is included on the Schedule of Cash and Deposits and Pledged Collateral By Bank and Account on page 20.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

**NOTE 4—RECEIVABLES**

<u>Type</u>	<u>2010</u>	<u>2009</u>
Member match receivable	\$ 47,400	49,397
Gross receipt tax receivable	1,206,798	-
NM DOT federal grant receivable	266,393	191,606
Vendor refund receivable	-	9,272
Allowance for doubtful accounts	-	-
Total	<u>\$ 1,520,591</u>	<u>250,275</u>

All receivables noted above are deemed fully collectible and an allowance for doubtful accounts has not been established. All amounts are deemed collectible within one year of June 30, 2010.

**NOTE 5—DUE TO OTHER GOVERNMENTS**

Amounts due to other governments consisted of the following at December 31, 2010 and 2009:

<u>Entity</u>	<u>Purpose</u>	<u>2010</u>	<u>2009</u>
City of Santa Fe	Gross receipts pass-thru	\$ 543,072	-
Rio Metro RTD	Gross receipts pass-thru	493,326	-
		<u>\$ 1,036,398</u>	<u>-</u>

**NOTE 6—ACCRUED LIABILITIES**

Accrued liabilities at December 31, 2010 and 2009 consistent of the following:

<u>Type</u>	<u>2010</u>	<u>2009</u>
Accrued payroll	\$ 75,239	58,821
Payroll related taxes and deductions	41,694	19,539
Total	<u>\$ 116,933</u>	<u>78,360</u>

**NOTE 7—PERA PENSION PLAN**

**A—Plan Description**

Substantially all of the NCRTD's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**B—Funding Policy**

The NCRTD contributes to the plan through the City of Santa Fe and is under the same state statutes as the City of Santa Fe. Under Municipal Plan #2, state statute requires that plan members contribute 9.15% of their gross salary. The NCRTD is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the NCRTD are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

NCRTD's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$126,374, \$94,379, and \$61,026, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 8—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

**A—Plan Description**

The NCRTD contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**B—Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The NCRTD's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$18,385, \$9,553 and \$7,465, respectively, which equal the required contributions for each year.

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

**NOTE 9—PROPERTY AND EQUIPMENT AND DEPRECIATION**

Property and equipment are summarized as follows:

<b>Business Type Activities</b>	<b>Balance 2009</b>	<b>Additions</b>	<b>Adjustments</b>	<b>Balance 2010</b>
Capital assets not being depreciated:				
Land	\$ -	1,228,011	-	1,228,011
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<b>-</b>	<b>1,228,011</b>	<b>-</b>	<b>1,228,011</b>
Capital assets being depreciated:				
Vehicles	1,536,848	258,045	(25,000)	1,769,893
Furniture, fixtures, & equipment	41,535	-	-	41,535
Leasehold improvements	5,625	-	-	5,625
Buildings and improvements	32,132	470,565	-	502,697
<b>Total capital assets being depreciated</b>	<b>1,616,140</b>	<b>728,610</b>	<b>(25,000)</b>	<b>2,319,750</b>
<b>Less accumulated depreciation for:</b>				
Vehicles	(362,603)	(340,577)	25,000	(678,180)
Furniture, fixtures, & equipment	(7,188)	(8,307)	-	(15,495)
Leasehold improvements	(23)	(281)	-	(304)
Buildings and improvements	(603)	(11,410)	-	(12,013)
<b>Total accumulated depreciation</b>	<b>(370,417)</b>	<b>(360,575)</b>	<b>25,000</b>	<b>(705,992)</b>
Total capital assets being depreciated	1,245,723	368,035	-	1,613,758
Capital assets, net	\$ <u>1,245,723</u>	<u>1,596,046</u>	<u>-</u>	<u>2,841,769</u>

For the years ended June 30, 2010 and 2009, depreciation expense was \$360,575 and \$242,723, respectively.

As of the year ended June 30, 2010, the NCRTD had idle equipment in the category of vehicles of acquisition cost of \$155,000, accumulated depreciation of \$96,050 and a book value of \$58,950. No insurance recoveries will be collected related to the idle equipment.

**Liens**

All capital equipment purchased with funds provided by New Mexico Department of Transportation (NMDOT) shall reflect a lien held by NMDOT. The maturity of liens are as follows: four years for vans, sedans, and station wagons and seven years for small buses from the date of issuance of Certificate of Title

**NOTE 10—CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	<b>Balance 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2010</b>	<b>Due Within One Year</b>
Compensated absences	\$ <u>74,193</u>	<u>53,973</u>	<u>(41,487)</u>	<u>86,679</u>	<u>39,006</u>

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal year 2010 or 2009.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

**NOTE 11—RISK MANAGEMENT**

The NCRTD is insured through purchase of commercial insurance policies for general liability and purchases Worker's Compensation Insurance from the New Mexico Self Insurer's Fund. Worker's Compensation claims are handled by the New Mexico Self Insurer's Fund.

**NOTE 12—GRANTS**

The NCRTD receives financial assistance from federal sources in the form of grants. The expenditures of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. The federal agencies reserve the right to conduct a follow-up review. Any disallowed expenditures resulting from federal agency review could become a liability of the NCRTD.

**NOTE 13—LEASE COMMITMENTS**

The NCRTD entered into a lease beginning November 17, 2008 for office space. The term of the lease is for 24 months for \$1,900 a month. Rental expenses under the lease in 2010 were \$24,890 and were \$20,007 in 2009. The future remaining lease payments under these agreements are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2011	\$ 7,600
2012	-
2013	-
2014	-
2015	-
Thereafter	-
Total	\$ <u><u>7,600</u></u>

**NOTE 14—RESTRICTED NET ASSETS**

On March 20, 2007, an agreement between the NCRTD and Los Alamos County was reached where funding in the amount of \$1,600,000 was awarded to the NCRTD to fund operations. Of the total, \$500,000 was received in fiscal year 2007 and \$1,100,000 was received in 2008. As part of the agreement, the NCRTD is to maintain a revolving fund for working capital maintained in perpetuity through reimbursement from other revenue sources, including federal grants. At June 30, 2010, the revolving fund balance was \$700,000 and at June 30, 2009, the revolving fund balance was \$490,157. These amounts are presented as restricted net assets on the statement of net assets.

**NOTE 15—RELATED PARTY TRANSACTIONS**

The by-laws of the NCRTD require the composition of the Board of Directors to represent member governments. As a result, many members of the Board of Directors are employed by, or serve in an elected capacity for, the member governments. Due to the nature of the NCRTD, Board members have a significant interest in the NCRTD's transactions related to the furnishing of services to their respective governments, community and constituents.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2010, With Comparative Totals For 2009**

**NOTE 16—RESTATEMENT OF RECEIVABLES**

A restatement of net assets was required to adjust receivables to its proper balance in the prior year ended June 30, 2009. Payments on receivables were received, however instead of decreasing the receivable balance, they were charged to revenue. As a result, the prior year ending receivables balance was overstated by \$49,397. The restated amounts are as follows:

Receivables	\$ 250,275
Adjustment	<u>(49,397)</u>
Grant receivables - adjusted	<u><u>\$ 200,878</u></u>

It was not considered necessary to reissue the June 30, 2009 audit report for this restatement.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
BUDGET (GAAP BUDGET BASIS) AND ACTUAL  
For Year Ended June 30, 2010**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance
<b>Operating Revenues</b>				
<b>Revenue</b>				
Charges for services	\$ -	-	<u>15,484</u>	<u>15,484</u>
<b>Operating Expenses</b>				
Personnel Services	1,755,252	2,181,921	<b>1,958,041</b>	223,880
Other Operating Expenses	2,673,774	3,124,813	<b>1,451,508</b>	1,673,305
Capital Outlay	<u>3,449,186</u>	<u>3,392,930</u>	<b>1,956,621</b>	<u>1,436,309</u>
Total Operating Expenses	<u>7,878,212</u>	<u>8,699,664</u>	<b>5,366,170</b>	<u>3,333,494</u>
Operating Income (Loss)	<u>(7,878,212)</u>	<u>(8,699,664)</u>	<b>(5,350,686)</b>	<u>3,348,978</u>
<b>Nonoperating Revenues (Expenses)</b>				
Federal grants	4,037,574	4,325,338	<b>3,271,041</b>	(1,054,297)
State and local grants	-	-	<b>15,000</b>	15,000
Member local match	880,000	1,440,997	<b>896,197</b>	(544,800)
Gross receipts and other taxes	5,208,716	5,208,716	<b>7,112,057</b>	1,903,341
Gross receipts pass-thru to other entities	(2,275,387)	(2,275,387)	<b>(3,558,285)</b>	(1,282,898)
Interest income	<u>30,000</u>	-	<b>5,400</b>	<u>5,400</u>
Total Nonoperating Revenues (Expenses)				
Income (Loss)	<u>7,880,903</u>	<u>8,699,664</u>	<b>7,741,410</b>	<u>(958,254)</u>
Change in net assets	\$ <u>2,691</u>	-	<b>2,390,724</b>	<u>2,390,724</u>
Net assets, beginning of year		<u>2,616,480</u>	<b>2,616,480</b>	
Net assets, end of year			\$ <u><u>5,007,204</u></u>	

**Reconciliation to Statement of Revenue, Expenses and Changes in Net Assets**

Change in net assets-budget basis	\$	<b>2,390,724</b>
Subtract depreciation that was recorded on the statement of operations but not on GAAP Budget Basis		<b>(360,575)</b>
Capital outlay that was capitalized on the balance sheet but not on GAAP Budget Basis		<u>1,956,621</u>
Change in net assets-business type activity - full accrual basis	\$	<u><u>3,986,770</u></u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Year Ended June 30, 2010**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation</b>			
<b>Passed through New Mexico Department of Transportation</b>			
5311 Grant - Formula Grants for Other Than Urbanized Areas *	20.509	M00813/ M00917	\$ 1,129,614
ARRA-Formula Grants for Other Than Urbanized Areas *	20.509	M00901	<u>1,696,978</u>
Total CFDA 20.509			<u>2,826,592</u>
5316 Grant - Job Access - Reverse Commute	20.516	M00858	158,966
5304 Grant - State Planning and Research	20.515	M00837/4	58,524
5309 Grant - Federal Transit - Capital Investment Grants	20.500		<u>206,317</u>
Total U.S. Department of Transportation			<u>3,250,399</u>
<b>U. S. Department of Health and Human Services</b>			
<b>Passed through Mid-Region Council of Governments</b>			
Temporary Assistance to Needy Families (TANF)	93.558	GSA-10-630-9000-0011	21,261
Total Expenditures of Federal Awards			<u>\$ 3,271,660</u>

\* = major program

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

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the 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.

**Note 2 - Non-Cash Federal Assistance**

No non-cash federal assistance was received during the year ended June 30, 2010.

**Note 3 - Subrecipients**

The organization provided no federal awards presented above to sub-recipients during the year.

**Note 4 - Federal Insurance**

The organization is re-deemed an employee of the Federal Government for the purposes of malpractice liability protection under the Federal Tort Claims Act (FTCA) during the budget period, for the period this audit report covers.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**SCHEDULE OF CASH AND DEPOSITS AND PLEDGED COLLATERAL BY BANK AND ACCOUNT**  
**As of June 30, 2010**

		Los Alamos National Bank				
Account Name	Account Type	Bank	Bank of America	Bank Balance	Outstanding Checks	Book Balance
LANB Checking	Checking Account	\$ 3,713,707	-	3,713,707	(22,721)	3,690,986
Espanola Checking	Checking Account	-	17,662	17,662	-	17,662
Total amount of deposit in bank		3,713,707	17,662	3,731,369	(22,721)	3,708,648
FDIC coverage		(250,000)	(17,662)	(258,023)		
Total uninsured public funds		3,463,707	-	3,473,346		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		1,731,854	-	1,736,673		
<b>Description</b>	<b>Maturity - CUSIP</b>	<b>Pledged Market Value</b>				
Pledged Security At:						
Dallas: FHLB Letter of Credit	12/12/2011 - #3133955V3	2,500,000	-	2,500,000		
Dallas: FHLB Letter of Credit	06/29/2012 - #3133XWGR4	250,000	-	250,000		
Dallas: FHLB Letter of Credit	08/24/2012 - #3133XUJZ7	500,000	-	500,000		
Dallas: FHLB Letter of Credit	08/24/2012 - #3133XUJZ7	500,000	-	500,000		
Subtotal - Collateral		3,750,000	-	3,750,000		
Amount over/(under)/ collateralized		\$ 2,018,146	-	2,013,327		
Total book balance				\$ 3,708,648		

Custodial Credit Risk is the risk that in the event of a bank failure, NCRTD's deposits may not be returned. The NCRTD does not have a policy for custodial credit risk. As of June 30, 2010, The NCRTD bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized (fully covered)	\$ -
Uninsured, collateral held by the pledging banks, but not in the name of the NCRTD	3,473,346
	<u>\$ 3,473,346</u>



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS  
For Year Ended June 30, 2010**

Item #	Name of Entity	Type of Agreement JPA/MOA/MOU	Description of Services	Type of Funds	Beginning Date	End Date	Total Estimated Project Amount and Amount Applicable to Agency	Amount Contributed by NCRTD During Current Fiscal Year	Contribution of Working Capital to NCRTD	Termination Clause
1.	NMDOT	MOA	Federal Assistance for development of Transportation Plans	Federal - 5304 Grant	2/12/2009	7/31/2009	\$ 200,000	\$ 35,924	\$ -	Termination for Cause by NMDOT
2.	NMDOT	MOA	Federal Assistance for Transit Capital Assistance Funds	Federal - ARRA	8/15/2009	6/30/2010	2,000,000	-	-	Termination for Cause by NMDOT
3.	NMDOT	MOA	Federal Assistance for public transportation in rural and non-urbanized areas.	Federal - 5311 Grant	10/1/2009	9/30/2010	1,686,649	620,924	-	Termination for Cause by NMDOT
4.	NMDOT	MOA	Federal Assistance for transportation services to low income individuals.	Federal - 5316 Grant	7/1/2009	6/30/2010	325,000	162,500	-	Termination for Cause by NMDOT
5.	Santa Fe County	MOA	Provide transportation services to residents of Santa Fe County		11/18/2008	3/31/2010	Dependent Upon Tax Receipt Collections	-	-	Upon 60 Day Written Notice by either party
6.	County of Los Alamos	MOU	To Provide Local Match for Federal Grants	Los Alamos Contribution	7/1/2009	6/30/2010	880,000	-	880,000	Upon 30 Day Written Notice by either party
7.	Santa Fe County	MOU	To purchase vehicles for county transportation services	SF County Funds	7/20/2009	6/30/2013	15,000	15,000	-	Upon 30 Day Written Notice by either party
8.	Rio Metro RTD	Inter-governmental Agreement	Commuter Rail Service	Santa Fe County Gross Receipts Tax	4/29/2009	Indefinite	Dependent Upon Tax Receipt Collections	-	-	As Long as Regional Transit GRT is Levied
9.	Pueblo of Santa Clara	MOA	Transportation Services to Members of Pueblo of Santa Clara and others	Federal Tribal Transit	6/26/2009	6/30/2010	125,000	-	-	Termination for Cause by NMDOT
10.	Pueblo of Tesuque	MOA	Transportation Services to Members of Pueblo of Tesuque and others	Federal Tribal Transit	6/26/2009	6/30/2010	250,000	-	-	Termination for Cause by NMDOT

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS  
For Year Ended June 30, 2010**

Item #	Name of Entity	Type of Agreement JPA/MOA/ MOA	Description of Services	Type of Funds	Beginning Date	End Date	Total Estimated Project Amount and Amount Applicable to Agency	Amount Contributed by NCRTD During Current Fiscal Year	Contribution of Working Capital to NCRTD	Termination Clause	
11.	San Ildefonso Pueblo	MOA	Transportation Services to Members of Pueblo of San Ildefonso and others	Federal Tribal Transit	6/12/2009	6/30/2010	25,000	-	-	Termination for Cause by NMDOT	
Federal Tribal Transit							25,000				
Total							\$ 5,506,649	\$ 834,348	\$ 880,000		



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

Board of Directors and Management of  
North Central Regional Transit District  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) of the as of and for the year ended June 30, 2010, and the budget comparison schedule for the year ended June 30, 2010 presented as supplementary information, and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the NCRTD'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 NCRTD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NCRTD'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 08-01, 08-02, 08-03, 08-04, 08-08, 10-02, 10-04, 10-05, and 10-06.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies, 06-01, 07-01, 08-10, 08-11, 10-01, and 10-03.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the NCRTD'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 or 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 06-01 and 08-05.

We also noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding, 10-07.

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

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



Hinkle & Landers, P.C.  
September 19, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Directors and Management of  
North Central Regional Transit District  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

**Compliance**

We have audited the North Central Regional Transit District's (NCRTD) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the NCRTD's major federal programs for the year ended June 30, 2010. The NCRTD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the NCRTD's management. Our responsibility is to express an opinion on the NCRTD's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the NCRTD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the NCRTD's compliance with those requirements.

In our opinion, the NCRTD, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 06-01 and 08-11.

**Internal Control Over Compliance**

Management of the NCRTD is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the NCRTD's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 NCRTD's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 06-01 and 08-11.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Hinkle & Landers, P.C.  
September 19, 2011

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

Financial Statements

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified? X Yes \_ No

Significant deficiencies identified that are  
 Not considered to be material weaknesses? X Yes \_ No

Non-compliance material to financial statements noted? X Yes \_ No

Federal Awards

Internal Control

Material weaknesses identified? X Yes \_ No

Significant deficiencies identified that are  
 Not considered to be material weaknesses? X 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

<u>CFDA Numbers</u> <u>Funding Source</u>	<u>Name of Federal Programs</u>	<u>Funding Source</u>
20.509	Capital, Administrative and Operating Expenses	U.S. Dept of Transportation
20.509	ARRA – 5311 Capital Assistance	U.S. Dept of Transportation

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

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**SECTION II AND III-FINANCIAL STATEMENTS AND FEDERAL AWARD AND STATE AUDITOR FINDINGS**

Reference FY-Finding #	Findings	Status of Prior Year Findings	Financial Statement Finding	Federal Award Finding	State Auditor Finding	Material Weakness	Significant Deficiency	Compliance
<b>Prior Year Findings</b>								
06-01	- Due Date Of Audit Report And Data Collection Form	Repeated/Modified	Yes	Yes	Yes	No	Yes	Yes
07-01	- Missing Disbursement Documentation	Repeated/Modified	Yes	No	No	No	Yes	No
08-01	- Cash Disbursements—Lack Of Segregation Of Duties/ Internal Controls Weaknesses	Repeated/Modified	Yes	No	No	Yes	No	No
08-02	- Cash Receipts—Lack Of Segregation Of Duties/Internal Controls Weaknesses	Repeated/Modified	Yes	No	No	Yes	No	No
08-03	- Payroll Function —Lack Of Segregation Of Duties/Internal Controls Weaknesses	Repeated/Modified	Yes	No	No	Yes	No	No
08-04	- Controls Over Maintaining The General Ledger And Audit Report	Repeated/Modified	Yes	No	No	Yes	No	No
08-05	- Certification Of Capital Assets Annual Inventory	Repeated/Modified	Yes	No	Yes	No	No	Yes
<b>08-06</b>	<b>- Computer Passwords</b>	<b>Resolved</b>						
<b>08-07</b>	<b>- Federal And State Grants</b>	<b>Resolved</b>						
08-08	- Debit Card	Repeated/Modified	Yes	No	No	Yes	No	Yes
<b>08-09</b>	<b>Payroll Approval Rates, 1-9s Not Documented</b>	<b>Resolved</b>						
08-10	Approved Journal Entries	Repeated/Modified	Yes	No	No	No	Yes	No
08-11	Recording of Revenue	Repeated/Modified	Yes	Yes	No	No	Yes	Yes
<b>Reference FY-Finding #</b>	<b>Findings</b>	<b>Status of Prior Year Findings</b>	<b>Financial Statement Finding</b>	<b>Federal Award Finding</b>	<b>State Auditor Finding</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Compliance</b>
<b>Current Year Findings</b>								
10-01	Unauthorized Salary Increases	Current	Yes	No	No	No	Yes	No
10-02	Business Purpose For Expenditures	Current	Yes	No	No	Yes	No	No
10-03	Missing Laptop	Current	Yes	No	No	No	Yes	No
10-04	Travel/Per Diem Testing	Current	Yes	No	No	Yes	No	No
10-05	Per Diem Policy	Current	Yes	No	No	Yes	No	No
10-06	Missing Appropriate Signatures On Disbursements	Current	Yes	No	No	Yes	No	No
10-07	Cell Phone Policy	Current	Yes	No	No	No	No	No



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**06-01 – LATE AUDIT REPORT/DATA COLLECTION FORM – MODIFIED/REPEATED – SIGNIFICANT DEFICIENCY**

**Statement of Condition**

The annual financial and compliance audit for the year ending June 30, 2010 was not conducted within the time limit imposed by the State of New Mexico guidelines or requirement for the State Auditor Rule for “Conducting of Audits”. The audit was mailed to the Office of the State Auditor on September 26, 2011. The Data Collection Form required to be filed with the Federal Clearing House was not submitted within nine months after the end of the fiscal year as required by OMB Circular A-133.320.

**Criteria**

The requirements set forth in the New Mexico State Auditors’ Rule 2 NMAC 2.2 require that the financial and compliance audit be conducted and completed within five months of NCRTD’s fiscal year end which was December 1, 2010. The Data Collection Form is required to be filed within nine months after the end of the fiscal year in accordance with OMB Circular A-133.320.

All Federal Programs affected– Please see Schedule of Federal Expenditures per Table of Contents.

**Effect**

The financial and compliance audit is a state requirement. Not having a completed audit by the stipulated date may jeopardize NCRTD’s eligibility for funding from the State Legislature and Federal agencies.

**Cause**

NCRTD’s audit for the previous year ended June 30, 2009 was not completed until early 2011. The June 30, 2010 audit could not be commenced until the 2009 audit had been completed and released by the Office of the State Auditor.

**Recommendation**

It is recommended that NCRTD comply with state and federal reporting requirements as they relate to the timing of audits.

**Management Response**

The FY07 audit was delayed by the NCRTD’s then fiscal agent (City of Santa Fe). Without having an FY07 audit NCRTD could not start the FY08 audit which was late, basically starting from FY07 being late the remaining audits were late (domino effect). During FY09 there was also not enough financial staff to run the day to day operations and focus on an audit as well. The NCRTD no longer uses a fiscal agent and we have hired additional staff to assist with all the financial duties. The FY09 audit was submitted and approved by Office of the State Auditor on February 23, 2011. The FY10 audited was then scheduled to start in July 2011. We will begin the FY11 audit in October of 2011 to meet the December 1, 2011 deadline.

**07-01 – MISSING DISBURSEMENT DOCUMENTATION – MODIFIED/REPEATED – SIGNIFICANT DEFICIENCY**

**Statement of Condition**

We selected a random sample of 70 transactions in order to test disbursements. After voided checks were eliminated, the sample was left with 65 disbursements. We also selected 8 transactions in order to test significant disbursements. We found the following:

- A. On 13 disbursements out of 37\*, purchase orders were not found.

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- B. On 12 disbursements out of 37\*, no check requests were found for the disbursements.
- C. 3 purchase orders were not signed on either the “requested by” or the “approved by” lines.

\*Note above: It was known that 28 of them did not require purchase orders or check requests as they were paychecks and other monthly utility bills. As a result the above 37 total is the total amount of purchases that require purchase orders and check requests.

**Criteria**

The NCRTD accounting policies and the State of New Mexico polices and Procurement Code requires sufficient supporting documentation.

**Effect**

The NCRTD is out of compliance with the Procurement code and Internal Controls are weak in this area. Because of these weaknesses, the auditor has determined these issues constitute a significant deficiency in the NCRTD internal controls.

**Cause**

The policies and procedures established by the NCRTD and the State of New Mexico Procurement code are not always being followed and the requirements have not been monitored. Since there was a significant lack of proper documentation it is also reasonable to conclude that these controls are not being monitored and enforced by the appropriate staff.

**Recommendation**

The NCRTD should make improvements to the process by which it implements its procurement process and the State Procurement process as can be noted by the exceptions in the statement of condition above. Make sure that all purchases have PO's and check requests. Finally ensure that PO's are signed by the appropriate individual on both the “requested by” and “approved by” lines.

**Management Response**

In FY10 the NCRTD was still utilizing Quickbooks for their finances. Quickbooks was not the accounting software that should have been utilized and the Purchase Order feature was not utilized in Quickbooks. In October of FY10 there was a software conversion to MIP and with training and staffing issues PO's were in the initial phase of being created.

This finding will go away in FY11 as the NCRTD utilized PO's for almost every purchase. There are a few exceptions such as liability payments and payments to Rio Metro/Los Alamos/City of Santa Fe as well as liability payments and other similar activities. The NCRTD does not feel that these few exceptions should have a Purchase Order as we are paying liabilities and not “purchasing” anything.

Also as a cost savings measure we do not attach a copy of the Purchase Order to every payment packet. As part of our procedures, a purchase request is submitted to Finance, a Purchase Order is created from the purchase request and then the PO is filed in a binder by PO number. Most of our PO's are encumbering documents and may be used to pay several invoices. As we are trying to save paper we verify a PO was issued prior to the payment. So again not all our payment packages will have PO. We will provide the auditors the PO binder during the audit so it can be part of their test work.

The NCRTD finance staff will continue to train and work with other staff to ensure that all staff members are aware of the State Procurement rules and processes. The NCRTD financial staff will make sure that internal procedures and policies are adhered to as well. This may mean that the NCRTD's policies and procedures need to be updated and approved so that the NCRTD is in line with State Procurement policies.

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**08-01 – CASH DISBURSEMENTS—LACK OF SEGREGATION OF DUTIES /INTERNAL CONTROLS WEAKNESSES – MODIFIED/REPEATED – MATERIAL WEAKNESS**

**Statement of Condition**

During our interviews about the organization’s internal controls and subsequent testing of internal controls of cash disbursements during the year ended June 30, 2010, we determined the following weaknesses were present throughout the year under audit:

The Finance Manager (FM) does the following or has the opportunity to:

1. Prepare checks in the accounting software
2. Access the check stock
3. Print out the checks
4. Reconciles the bank accounts
5. No one reviews the monthly bank reconciliations
6. Is the first person to review the detail in the bank statement received in the mail

In mid-FY10, the entity began making changes to its organizational structure to allow for better segregation of duties. Additional personnel have been hired and duties have been divided to allow for better segregation. Due to the timeliness of the audit, however the finding was repeated. This finding will most likely be resolved as of FY11.

**Criteria**

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner and for reducing the opportunity for fraud to take place.

**Effect**

Because one person has control over all of the areas cited in the “Statement of Condition” above, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

**Cause**

Due to the untimeliness of the NCRTD’s audits, limited changes were able to be implemented prior to the year ended June 30, 2010. An example includes hiring a Financial Analyst which allowed for there to be more segregation in the duties of certain employees.

**Recommendation**

We recommend that NCRTD continue to separate duties to the extent possible.

Segregate the duties as follows:

1. Prepares checks in the accounting software—should be done by the FM.
2. Has access to the check stock—primary access and custodian should be FM.
3. Prints out the checks— should be done by the FM.
4. Reconciles the bank accounts—should be done by the Financial Analyst (FA)

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5. No one reviews the monthly bank reconciliations— should be done by the Executive Director (ED). Based on a summary prepared by the financial analyst.
6. Is the first person to review the detail in the bank statement received in the mail—should be done by the Financial Specialist.

**Management Response**

The NCRTD hired a Financial Analyst (there is currently no Accounting Assistant) for the last part of FY09 and this position has been tasked so far with FY08 audit work and a major portion of the new software implementation (Oct. 2009). It has always been the plan to integrate this person into the general segregation of duties required for proper internal controls as soon as the pressing, time-sensitive projects are well under way. The NCRTD is following the recommendations of the auditor and we have segregated the duties as much as we can with the financial staff. After the bank statement is reconciled it is being given to the Executive Director for final review. This finding has been resolved as far as the NCRTD knows.

We have segregated duties as much as we can with a couple of exceptions. The auditors wanted our Executive Assistant to review the bank statement and this is not feasible with her job duties so our Financial Specialist reviews the bank statement. The Financial Analyst and the Financial Specialist reconcile the bank statements by alternating months. This should also ensure that another set of eyes is watching this account.

**08-02 – CASH RECEIPTS—LACK OF SEGREGATION OF DUTIES/INTERNAL CONTROLS WEAKNESSES – MODIFIED/REPEATED – MATERIAL WEAKNESS**

**Statement of Condition**

During our interviews about the organization’s internal controls and subsequent testing of internal controls of cash receipts during the year ended June 30, 2010, we determined the following weaknesses were present throughout the year under audit:

The Finance Manager (FM) does the following or has the opportunity to:

1. Creates and records the receivable in the accounting software.
2. Receives the checks that come in the mail and has complete access and can edit the check log that the Financial Specialist creates.
3. Stamps the back of the checks “For Deposit Only”, limiting the deposit to the NCRTD bank accounts.
4. Posts the cash receipts against the receivables previously created or as revenue.
5. Has the ability to adjust and/or write-off receivables balances without any authorization.
6. Is the only one who investigates revenue/receivable discrepancies.
7. Prepares the deposits.
8. Makes the majority of the deposits to the bank.

In mid-FY10, the entity began making changes to its organizational structure to allow for better segregation of duties. Additional personnel have been hired and duties have been divided to allow for better segregation. Due to the timeliness of the audit, however the finding was repeated. This finding will most likely be resolved as of FY11.

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**Criteria**

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

**Effect**

Because one person has control over all of the areas cited in the “Statement of Condition” above, the opportunity is significantly high to misappropriate funds and/or make errors through cash receipts that may go undetected because of the weak control activities associated with lack of safeguarding of cash receipts and the lack of monitoring of the bank account.

**Cause**

Due to the untimeliness of the NCRTD’s audits, limited changes were able to be implemented prior to the year ended June 30, 2010. An example includes hiring a Financial Analyst which allowed for there to be more segregation in the duties of certain employees.

**Recommendation**

Based on the limited staff available during the fieldwork for the audit that primarily took place in August of 2009, we recommend the following:

Segregate the duties as follows:

1. Creates and records the receivable in the accounting software—should be done by the FM.
2. Receives the checks the come in the mail and has complete access and can edit the check log that the Financial Specialist creates- should not be available to FM except on hard copy additional control activities should be added as noted below.
3. Stamps the back of the checks “For Deposit Only”, limiting the deposit to NCRTD bank accounts—should be done by the Financial Specialist.
4. Posts the cash receipts against the receivables previously created or as revenue—should be done by the FA.
5. Has the ability to adjust and/or write-off receivables balances without any authorization.— should be done by the FM as authorized in writing by the Board. Is the only one who investigates revenue/receivable discrepancies—should be done by the FM.
6. Prepares the deposits—should be done by the Financial Specialist.
7. Makes the majority of the deposits to the bank—should be done by the FA.

Control activities should be implemented as follows:

Item 1, related to this item, a receivable aging report should be reviewed by the Executive Director in order to have another level of oversight.

Item 2, because the FM creates the receivables, the FM should not have any access to incoming currency, checks or any other type of cash. The FM should only receive copies of the checks.

Item 3 The incoming checks should be stamped “Deposit Only” for the appropriate NCRTD bank account as soon as possible by the Financial Specialist.

Item 4 the Financial Analyst should input the cash receipts into the accounting system against the proper receivable balance or general ledger account.

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Item 5, A write-off and allowance for doubtful accounts policy should be approved and implemented by the Executive Director, with periodic oversight by the Board.

**Management Response**

The NCRTD has implemented the recommendations made by the auditor in FY10 and NCRTD will continue to adjust and tighten controls by updating and reviewing our policies and procedures each year. We have started to segregate duties as the new staff members have come on board and been trained. On September 8, 2009 the Executive Assistant created a check log and this log is updated by our now Financial Specialist when checks are received. We feel that this procedure will resolve the finding.

**08-03 – PAYROLL FUNCTION—LACK OF SEGREGATION OF DUTIES/INTERNAL CONTROLS WEAKNESSES – MODIFIED/REPEATED – MATERIAL WEAKNESS**

**Statement of Condition**

During our interviews about the organization's internal controls and subsequent testing of internal controls of payroll during the year ended June 30, 2010, we determined the following weaknesses were present throughout the year under audit:

The Finance Manager sets up and disburses payroll direct deposits checks without anyone else's authorization.

In mid-2011, the entity began making changes to its organizational structure to allow for better segregation of duties. Additional personnel have been hired and duties have been divided to allow for better segregation. Due to the timeliness of the audit, however the finding was repeated. This finding will most likely be resolved as of FY11.

**Criteria**

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

**Effect**

Because one person has control over all of the areas cited in the "Statement of Condition" above, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

**Cause**

Due to the untimeliness of the NCRTD's audits, limited changes were able to be implemented prior to the year ended June 30, 2010. An example includes hiring a Financial Analyst which allowed for there to be more segregation in the duties of certain employees.

**Recommendation**

Authorization for set up of employee direct deposit accounts should be required by the Executive Director. All payroll registers should be signed off by the Executive Director after funds are disbursed to employees and related payroll expenditures in a timely manner

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**Management Response**

The NCRTD in FY10 has established a procedure to ensure that payroll registers and direct deposit accounts are signed off by the Executive Director. After each payroll is processed the Executive Director has to sign off on the payroll/direct deposit register before the data is processed at our bank. On January 1, 2010 a new process was started where the Executive Director signs the check registers and we feel this new procedure will resolve this finding.

**08-04 – CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT – MODIFIED/REPEATED – MATERIAL WEAKNESS**

**Statement of Condition**

During our audit we made several adjustments to the NCRTD's books that SAS 115 requires to be reported as a finding. The adjustments consisted of the following:

- |  |             |
|--|-------------|
| • Adjust accounts payable for misspost | \$77,256    |
| • Adjust GRT receivables               | \$1,206,798 |

**Criteria**

Some of the key underlying concepts of Statement of Auditing Standards (SAS) 115 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. Also since significant adjustments to the financials were made it calls into question whether the Department staff has the qualifications and training to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

**Effect**

Because these adjustments were made/identified by the auditor, and not by the NCRTD, it shows an internal control weakness in maintaining the general ledger and would potentially extend to the audit report. This significantly increases the potential for misstated financial statements.

**Cause**

The NCRTD's personnel and internal control procedures were not effective in identifying and correcting material errors to the general ledger that would have resulted in material misstatement of the financial statements had they not been corrected by the auditor.

**Recommendation**

We recommend that the NCRTD make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the NCRTD initiates/makes the adjustment and understands how and why the adjustments were made.

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**Management Response**

The NCRTD has hired a Financial Analyst (Jan. 2009) who will be assisting the Financial Manager in reconciling the general ledger and making adjustments in a timely manner. The NCRTD financial staff is working with other staff to come up with a monthly closing schedule so that the general ledger can be reconciled each month and adjustments will be posted in a timely manner.

**08-05 – CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY – MODIFIED/  
REPEATED – OTHER**

**Statement of Condition**

The NCRTD appears to have conducted an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars or more as of June 30, 2010, but did not certify the physical inventory count by its top governing official as required by State Statute.

**Criteria**

NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by Executive Director of the agency.

**Effect**

The inventory and monitoring of capital assets must be maintained otherwise capital assets may go missing by theft or misplacement.

**Cause**

The NCRTD did not have sufficient staff to adequately perform this function.

**Recommendation**

We recommend that the NCRTD's physical inventory of capital assets contain a certification that the inventory is correct and that it be signed by the Executive Director of the NCRTD.

We also recommend, although it is not required by state statute, that items under \$5,000 to an amount of approximately \$500 be inventoried and certified along the same lines as what NMAC 2.20.1.16 requires to ensure the safeguarding of important capital assets such as computers, cameras and other valuable assets.

**Management Response**

The NCRTD will establish a procedure to address this concern. The NCRTD finance staff has recently (Feb. 2011) been trained on the "fixed asset" module to the MIP accounting system. The staff is in the process of gathering data and reconciling both fixed assets and inventory items. The NCRTD finance staff will work with other staff to get the fixed asset and non-depreciable inventory reconciled and will establish a procedure for its certification each year.

**08-08– DEBIT CARD – MODIFIED/REPEATED – MATERIAL WEAKNESS**

**Statement of Condition**

During the audit, we initially reviewed six random months of debit card transactions. This initial review showed several areas of concern regarding the debit card and how it was used to make purchases. Procedures were extended to the remaining six months of the year ended June 30, 2010 to provide additional assurance.



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As a result of the testing, we determined the following weaknesses:

- A. There is one card that is held primarily by the Executive Director. The card has access to the NCRTD main checking account which as of June 30, 2010 had a balance of \$3,690,970.55.
- B. The card is used to make purchases and has been set at the limit of \$1,000 per day. The limit can be changed by the Finance Manager and the Executive Director.
- C. No approval process or outside procurement code.
- D. There appeared to be little or no oversight exercised to ensure all purchases were supported by a valid business purpose – See finding 10-05
- E. There was no clear method for Finance personnel to question purchases made by the Executive Director, as that individual was given broad authority to make purchases as deemed necessary.
- F. Meal receipts were not detailed enough to determine the actual items purchased. During testing, 38 out of 43 receipts for meals were summary receipts, which did not include the breakdown of the order.
- G. It appeared that there was one instance of the card being used to pay for a parking violation.

Discussion with the Finance Manager revealed that in early 2011, the debit card was destroyed and is no longer in use. The NCRTD has subsequently begun using the P-Card system for its debit/credit card purchases.

**Criteria**

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

The debit card has weak controls that do not appear to meet the strong internal controls required by the Professional Standards.

**Effect**

The card potentially has access to the entire balance on hand for the organization's main checking account, and there is opportunity for abuse with the card as controls over purchases do not exist prior to making purchases.

**Cause**

The organization has a debit card linked to the main checking account.

**Recommendation**

We recommend that the debit card be removed and a P-Card process be used. The credit card should have a limit of \$5,000 or some other amount that is reasonable. The P-Card statement should be reconciled to the general ledger and signed and dated by the reconciler and then reviewed by a responsible official who will sign and date it.

**Management's Response**

The NCRTD has established the P-Card process and we have a policy approved by Bank of America. Our policy does not quite follow the auditors recommendations but it is what Bank of America specified. The NCRTD will utilize this P-Card for purchases instead of the debit card. The NCRTD has 4 P-Cards in place; 2 with a \$5,000 limit and 2 with a \$2,000 limit. These cards are used only when a vendor will not accept a PO from the NCRTD or for emergency purchases. The staff that the cards are issued to

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have to follow procurement procedures and approval processes prior to using the cards. The P-Card cannot be used like a debit card, no cash can be withdrawn, no meals can be purchased, etc.

**08-10 – JOURNAL ENTRIES – MODIFIED/REPEATED – SIGNIFICANT DEFICIENCY**

**Statement of Condition**

During the audit it was observed that there were numerous journal entries posted throughout the accounts. It appeared that several entries were posted then reversed then reposted again. While much of this is likely the result of the transition from QuickBooks to MIP, there appeared to be a looseness in posting journal entries without fully determining their validity.

**Criteria**

Good internal controls require that journal entries be approved by a responsible individual not involved in the journal entry preparation or posting, as they can significantly affect the financial statements.

When deciding to make a journal entry, the full impact of the entry should be examined to ensure that the entry is valid and necessary. Superfluous entries should be kept to a minimum as they create “clutter” in the overall general ledger and inhibit the ability to trace items through the general ledger.

**Effect**

A large number of journal entries have been posted to several accounts which affect the financials significantly and it is not evident that journal entries were fully considered prior to being posted to the general ledger.

**Cause**

Journal entries were made without completely determining their validity.

**Recommendation**

Controls over journal entries should be established as soon as possible. The person creating the journal entry should initial and date the entry and a responsible official should initial and date the approval of the entry and these records supporting the reason for the journal entry should be maintained.

**Management’s Response**

The large number of journal entries the auditors refer to above are due to the conversion from Quickbooks to MIP. The NCRTD staff had to create journal entries to start the MIP balances for all accounts. The NCRTD only utilizes Journal Entries if it is the proper method for the correction or posting. If Finance Staff creates the journal then the Financial Manager approves the journal entry but if the Financial Manager creates the journal entry then the Executive Director or designee approves the entry. The NCRTD also has a journal entry approval form that gives details of the journal and why it is required.

**08-11 – RECORDING OF REVENUE – MODIFIED/REPEATED – SIGNIFICANT DEFICIENCY**

**Statement of Condition**

During our reconciliation of the expenditures of federal awards, it was brought to our attention that amounts recorded as receivables in prior years had been received in those years and posted to revenue instead of reducing the respective receivables. One entry for \$4,683.28 related to a receivable in April 2009 that was subsequently received in that fiscal year. The other entry for \$44,713.39 was related to unbilled federal receivables that were recorded in 2008. These amounts were subsequently received;

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however the receivable was not decreased. As a result of this, a prior period adjustment in the amount of \$49,396.67 was necessary to correct the receivable balance.

This indicates a weakness in how revenues and receivables are recorded that could potentially impact the amount of federal revenue reported.

**Criteria**

Revenue for reimbursable grants must match expenditures, otherwise, the recording of the revenue and expenditure activity is not accurate. When payments are received related to receivables, the receivable should be reduced instead of being recorded as an increase to revenue.

All Federal Programs affected– Please see Schedule of Federal Expenditures per Table of Contents.

**Effect**

Recorded revenue and receivables could potentially be materially overstated.

**Cause**

Cash receipts were posted incorrectly.

**Recommendation**

Grant revenues should be properly recorded and reconciled to their associated expenditures by grant. Funding sources should be adequately isolated in the accounting system to help promote tracking and accountability of the separate grants. Receivables associated with federal awards should be included in the reconciliation process to ensure amounts received are properly credited to receivable instead of being recorded as additional revenue.

**Management's Response**

The NCRTD in FY09 only had one financial manager and the NCRTD hired the financial analyst in January 2009. The accounting software was Quickbooks, the NCRTD only had one license so use of the software was simultaneous restricted.

In FY10 the finance staff had a total of 2 FTE and new software has been purchased and implemented. This increase in staff and new software has allowed for better audit trail controls over General Ledger transactions as well as the NCRTD establishing tighter policies and procedures over finance. The NCRTD Financial staff posts receivables as soon as the “invoices/draws” are requested from the appropriate agencies. As soon as the “cash” is received it is posted towards the correct receivable.

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**CURRENT YEAR FINDINGS**

**10-01 – UNAUTHORIZED SALARY INCREASES – SIGNIFICANT DEFICIENCY**

**Statement of Condition**

It appears that four individuals were given salary increases off-schedule from their annual reviews. The increases were supported only by a memo from the then Executive Director indicating the increases were at the behest of the then chairman of the Board of Directors, as a result of the success of the NCRTD's transit GRT efforts. There was no direct indication of Board approval on the memo itself, nor was any noted in the minutes.

**Criteria**

NCRTD policy indicated salary increases are to be granted annually after the employee's performance review, or in the instance of retaining an employee after they've received another offer of employment from another entity. Salary increases are considered on an annual basis depending upon availability of funds as determined by the Board of Directors.

**Effect**

Employees received off-cycle salary increases outside of their normal annual evaluations.

**Cause**

Management, supposedly, was verbally directed by the chair of the Board to give the increases.

**Recommendation**

We recommend that the NCRTD revisit their personnel policies to identify explicitly when salary increases can be offered to employees and what required documentation must be included with the increase. In the event of increases originating from the Board of Directors level, it is recommended that the authorization for the increases be documented in the minutes to the Board of Directors meetings or by specific signed documentation from the Board.

**Management Response**

Existing personnel policies are very clear that salary increases can only be provided as indicated by Policy 3.12 and as authorized by the Board of Directors and all Personnel Policies will be adhered to. Any deviations requested must be approved by the Board of Directors in those instances where the policy requires such.

**10-02 – BUSINESS PURPOSE FOR EXPENDITURES – MATERIAL WEAKNESS**

**Statement of Condition**

It was observed during disbursement testing that the business purpose for certain transactions was lacking. It appears that a Dell mini-computer was purchased in May 2010 by the then Executive Director on the NCRTD debit card. There was no purpose identified for the why the computer was needed.

There were also instances of what appeared to be the payment of personal travel expenses on the NCRTD debit card. A charge in January 2010 was made by the then Executive Director while at a convention in Florida. It appeared that half of the charge was billed to the debit card while the other half was charged on a personal credit card and submitted for reimbursement. No business purpose was listed for the amount charged to the debit card.

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There was also a charge for a rental car in August 2009 for a trip to Las Cruces for a meeting by the then Executive Director. It was alleged that the ED did not take a company car because she wanted to take her family with her, so she rented a car instead. It was noted that there was also a charge that would have occurred on that same trip at an Alamogordo Holiday Inn with the description of Vacation appearing on the receipt.

**Criteria**

Local public bodies have a fiduciary responsibility to administer the public funds in a manner consistent with the goals and missions of their charters and in such a way as to protect the public trust.

**Effect**

The NCRTD is at risk for losses due to making purchases with a lack of a clear business purpose.

**Cause**

There was limited oversight of purchases initiated by the then Executive Director.

**Recommendation**

We recommend that business purposes be clearly indicated for all purchases. All expenditures should go through a thorough review process to identify any questionable transactions.

We recommend a specific policy be implemented to address the requirement that expenditures can only be spent for documented business purposes.

**Management Response**

The NCRTD is in the process of updating the Travel Policy and the Procurement Policies. These new updated policies will address all these issues. We have also instituted in FY11 a Travel Request for that must be approved prior to any travel. We are also in the process of updating our Travel Reimbursement forms. All of these changes will address this finding.

**10-03 – MISSING LAPTOP – SIGNIFICANT DEFICIENCY**

**Statement of Condition**

While conducting our fraud risk assessment it was brought to our attention that a laptop computer at the agency was missing. While this was outside of the year under audit, we extended procedures to look into the issue further.

Review of documentation showed that in May 2009 a Vostro 1510 computer was purchased for the NCRTD's use. This was reportedly the then-Executive Director's laptop. In late April 2011, a replacement battery was ordered by the then-Executive Director for the laptop shortly before her retirement. When the battery came in (after the Director retired), the Finance Department questioned the purchase because the battery was not for one of their more common laptops. A subsequent search for the laptop by the NCRTD's personnel was not able to locate it. Follow-up by NCRTD personnel with the then-Executive Director, revealed that the former Executive Director was not aware of the computer's whereabouts even though she had ordered the battery for the unit. As of the date of fieldwork in August 2011, the laptop was still missing.

**Criteria**

It is encouraged that entities maintain a listing off all assets that are considered highly susceptible for loss and that the list is routinely reviewed to ensure all listed assets are still accounted for. Controls should be in place to ensure adequate security is provided to prevent/deter theft or misuse of company assets.

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**Effect**

The NCRTD is at risk for losses related to its laptop computers and other highly mobile assets.

**Cause**

The NCRTD did not have an effective method for tracking its assets that are highly susceptible to loss/theft.

**Recommendation**

We recommend a tracking system be implemented for all assets considered highly susceptible for loss due to theft. The system should include the identification of the person/persons to whom the assets is issued to and provide for clear steps to be taken in the event of missing/lost assets.

If the missing computer cannot be located, it is recommended that the NCRTD file a police report to document the loss.

**Management Response**

The NCRTD has in FY11 established an inventory system. We are utilizing the MIP Accounting Software to track our non-depreciable assets as well as all depreciation assets. All inventory will be tagged and inventoried each fiscal year by June 30.

**10-04 – TRAVEL/PER DIEM TESTING – MATERIAL WEAKNESS**

**Statement of Condition**

We selected a random sample of 15 travel expenses. Due to exceptions identified during the initial testwork, procedures related to travel were extended, which led to testing 22 additional transactions. We found the following from the 37 travel expenses:

- A) On 1 of the travel reimbursements, a purchase of alcohol totaling \$3.25 appeared to be reimbursed.
- B) 10 of the disbursements did not have supporting documentation, which included lack of mileage reimbursement charts, reasons for travel, and amounts of meals/incidentals that were being reimbursed for without supporting receipts.
- C) 3 of the disbursements were over the \$40/day threshold for meals.

It was observed that the forms used for travel reimbursements were the same as for any other employee expense reimbursement. The forms did not appear to be adequate for identifying all travel related expenses in such a way as to allow for efficient/effective oversight and review of the expenses.

**Criteria**

NCRTD's accounting policies and the State of New Mexico polices require sufficient supporting documentation for purchases. There is a strict policy of not reimbursing travelers for the purchase of alcohol. NCRTD has its own travel policies, which states that \$40/day on meals.

**Effect**

NCRTD is out of compliance with its own and the State's travel/per diem policies.

**Cause**

There did not appear to be an effective oversight process for ensuring existing travel-related policies and procedures were followed.

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**Recommendation**

NCRTD should make improvements to the process by which it implements its procurement process and the State Procurement process as can be noted by the exceptions in the statement of condition above. Prepare a more detailed travel expense reimbursement form and make no exceptions regarding receipts and other supporting documentation for traveling.

**Management Response**

The purchase of Alcohol was missed by NCRTD staff when reviewing the receipt. It was a trip that then Chairman Herrera took to Orlando, Florida. The NCRTD is reviewing and updating the Travel Policy and it is clearly stated in the new policy that staff must provide clear, itemized receipts from meals. Our updated Travel Policy will address all these issues.

**10-05 – PER DIEM POLICY – MATERIAL WEAKNESS**

**Statement of Condition**

Per Diem rates were not consistently applied. It appears that employees were using a variety of per diem rates when submitting for travel reimbursement. These ranged from federal travel rates, DFA rates, and other unknown rates. It gave the appearance that the most personally advantageous per diem rates were chosen.

**Criteria**

Ensure proper internal controls and use of government funding.

**Effect**

Since there is no policy regarding per diem, employees are able to claim which ever rate is most beneficial. This has also resulted in a lack of supervision of the claims and without the need for supporting documentation. As a result, NCRTD is paying employees rates and amounts that do not correspond to actual traveling costs.

**Cause**

Employees took advantage of the lack of a policy and requested per diem rates that were not in line with actual costs. This was done by senior employees and management and was allowed to continue by the Executive Director, as a result the practice continued.

**Recommendation**

NCRTD should review its per diem policy to clarify the accepted per diem rates for given situations and implement process to ensure the policy is strictly adhered to.

**Management Response**

The NCRTD is in the process of updating the Travel Policy and the Procurement Policies. These new updated polices will address all these issues. The NCRTD's travel policy will have very clear guidelines regarding reimbursement of travel expenses.

We have also instituted in FY11 a Travel Request for that must be approved prior to any travel. We are also in the process of updating our Travel Reimbursement forms. All of these changes will address this finding.

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**10-06 – MISSING APPROPRIATE SIGNATURES ON DISBURSEMENTS – MATERIAL WEAKNESS**

**Statement of Condition**

We selected 8 significant disbursements and found that 2 (11884 and 12096) were not signed by two people. Through extended procedures we found 1 more check over \$20,000 (11585) that was not signed by 2 people. During the extended procedures 2 checks (11117 and 11271) were found to have not been signed at all but were processed through the bank. Review of the checks did not seem to indicate the presence of any wrong-doing.

**Criteria**

NCRTD's accounting policies required that all checks over \$20,000 be signed by 2 people. This statement is also included on all checks in their check stock.

**Effect**

NCRTD is not in compliance with its' own internal controls and as a result pose a risk of material misstatements.

**Cause**

There is a break down in the internal controls and the checks are not being properly reviewed. This could cause an unwanted check to be written and then disbursed, without passing through the necessary controls, which would have been able to prevent the unwanted check.

**Recommendation**

NCRTD should be more careful when reviewing checks for more than \$20,000 and making sure 2 people sign the check.

**Management Response**

NCRTD in FY10 issued 1,133 checks for the fiscal year. This does not include voided checks or direct deposit advices. So 5 out of 1,133 checks had errors.

In FY10 NCRTD had 38 payments that were over \$20,000 which required the two signatures. So out of 38 payments 3 were not signed by two signatures which is 7.89% error factor for these types of payments.

The NCRTD finance staff is small, the Financial Manager prints the checks and attaches the back up for either the Executive Director or Chair of the Board to sign. If a check requires 2 signatures then a bright post-it note is attached. Once the checks are signed they are given to the Financial Specialist who when records the check information on the payment voucher, she verifies there is a signature. If there is not a signature or if it requires two signatures, it is returned to the Financial Manager for safe-keeping until a signature authority is able to sign.

The NCRTD Staff verifies and looks at each check as it is being prepared to be mailed out.

**10-07 – CELL PHONE POLICY – OTHER**

**Statement of Condition**

It was observed that during the year ended June 30, 2010, NCRTD's cell phone policy was not adhered to by all employees. The policy places a cap of \$135/month for cell phones.



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During testing it was noted that the then-Executive Director was paying for 100% her company cell phone via the NCTRD's debit card. The payments averaged \$188/month, which exceeds the maximum allowed by the policy. Two other employee received reimbursement in excess of the \$135 per month limit. These overages were determined to be due to the employees requiring an aircard in addition to their cell phone.

It was also observed that there were charges on the NCRTD debit card to the organization's cell phone provider that were not for the Executive Director's monthly cell phone bill account. Specifically, on September 14, 2009, a \$150.00 payment was made to an account number different than the Executive Director's account. This was later determined to be related to another employee's phone and appeared to be for the purchase of a new phone. Additionally on September 15, 2009, there were payments of \$150.00 and \$188.38 that were charged to the debit card, but there was no supporting documentation regarding these charges. More detailed specifics of the charges could not be identified.

Further review of the policy itself showed that it does not indicate how personal usage of the phones is to be treated. In some cases employees were reimbursed for 100% of their phone (even when following the existing policy), while in others this was significantly less. It largely depended on the type of phone and the plan the individual had. It did not appear that consideration was given to how the phones were used as long as they were within the monthly cost limits provided for in the policy.

**Criteria**

Per the NCRTD Cell Phone Policy:

“The NCRTD will reimburse a maximum of \$135.00 per month for eligible employees. The allowance of \$135.00 is sufficient to provide a basic plan for minutes, data, insurance, broadband and text messaging.”

**Effect**

The NCRTD is not in compliance with its cell phone policy. Employees are potentially receiving reimbursement in excess of allowable limits. There is a potential for employees to be reimbursed for non-business related charges on their phone.

**Cause**

There was inadequate oversight of the cell phone policy. The existing policy was deemed adequate for the needs of the organization.

**Recommendation**

It is recommended that the NCRTD implement procedures to ensure the existing cell phone policy is adhered to by all employees. In the event NCRTD needs to pay for or reimburse an employee for amounts greater than the policy indicates, the reasoning/support for such payments should be clearly documented.

It is also recommended that the NCRTD revisit their cell phone policy to determine an appropriate way to account for personal usage of company provided phones

**Management Response**

The NCRTD did have a cell policy in FY10 and as the auditor's stated above in their criteria it was to reimburse up to \$135.00 a month. For the most part employees did observe this policy but since new staff have been hired the NCRTD has been looking at all policies and procedures, the new staff has re-worked the cell phone policy where staff now has 2 choices: (1) they get their own personal cell phone and the district purchased phone it to be used for district business only, (2) they can choose to get their

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own phone with a district reimbursement for district business of up to \$55.00 a month. We feel that this new policy is tighter and will allow us to resolve this finding.

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**Other Disclosures**  
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An exit conference was held in a closed session on September 19, 2011, at NCRTD's offices in Santa Fe, New Mexico. In attendance were the following:

Representing NCRTD:

Rosemary Romero  
Anthony Mortillaro  
Kelly Muniz

Chair  
Interim Executive Director  
Financial Manager

Representing Hinkle & Landers, PC:

Farley Vener, CPA, CFE  
Erick Robinson, CPA, CFE  
Katelyn Constantin

Shareholder  
Audit Manager  
Staff Auditor

**FINANCIAL STATEMENTS**

The financial statements of NCRTD as of June 30, 2010, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.