



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
BOARD OF NURSING**

FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

**STATE OF NEW MEXICO
BOARD OF NURSING**

OFFICIAL ROSTER

As Of June 30, 2011

<u>Name</u>	<u>Title</u>
Robin Jones, Ed.D, MSN, RN	Chairperson, Curry
Terri Fortner, RN, NMS, PMH-NP-BC	Vice Chairperson, San Juan
Polly Petersen, RN, MSN	Secretary, Dona Ana
Rebecca Hatch, Public Member	Member, Union
David Bramhall, Public Member	Member, San Juan
Dr. Kathleen Lopez-Bushnell	Member, Bernalillo
Mike Wallace, MSN, FNP-BC	Member, Bernalillo

ADMINISTRATION

Nancy Darbro, PhD, APRN, CNS, LPCC, LADAC	Interim Executive Director
Donna Arbogast	Agency Administrator/CFO

**STATE OF NEW MEXICO
BOARD OF NURSING**

OFFICIAL ROSTER

As Of June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor and
Robin Jones, Board Chairperson of the
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue fund (presented on the program structure basis) of the State of New Mexico Board of Nursing (the Board) as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. 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.

As discussed in Note A1, the financial statements of the Board are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2011, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2011, and respective changes in financial position and respective budgetary comparison of the general fund and major special revenue fund (presented on the program structure basis) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note G to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Hinkle + Landers, PC
December 9, 2011

**STATE OF NEW MEXICO
BOARD OF NURSING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2011**

Overview of the Financial Statements

The financial statements consist of the following: government-wide financial statements, governmental fund statements, and statements reconciling the above-mentioned statements.

Government-Wide Financial Statements (Statement of Net Assets and Statement of Activities)

Government-wide financial statements report information about the Board of Nursing (Board) as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The basic financial statements report the Board's net assets and how they have changed.

Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance)

The fund financial statements provide more detailed information about the Board's significant funds. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

The Board of Nursing operates principally on its own self-generated revenues (license and registration fees, examination fees, and interest earnings) and a budget, which is approved by the State Legislature each year.

Condensed Comparative Financial Information

Statements of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets		
Current assets	\$ 1,968,479	1,843,205
Capital assets, net of depreciation	<u>2,418</u>	<u>5,610</u>
Total assets	\$ <u><u>1,970,897</u></u>	<u><u>1,848,815</u></u>

**STATE OF NEW MEXICO
BOARD OF NURSING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2011**

	June 30, 2011	June 30, 2010
Liabilities and Net Assets		
Liabilities:		
Current liabilities	\$ 145,554	157,830
Compensated absences - non-current	9,193	9,337
Total liabilities	154,747	167,167
Net assets:		
Invested in capital assets	2,418	5,610
Unrestricted	1,804,272	1,676,038
Total net assets	1,806,690	1,681,648
Total liabilities and net assets	1,961,437	1,848,815

Statements of Activities

Total - Program expenses	(1,533,727)	(1,948,483)
Transfers	-	(750,000)
Program revenues and interest	1,624,736	1,635,590
Increase (Decrease) in net assets	\$ 91,009	(1,062,893)

Analysis of Financial Position (Statement of Net Assets)

Total Assets: Consist of investments of \$1,968,185 with the State Treasurer, receivables and other assets of \$294 and capital assets of \$2,418, net of accumulated depreciation. Total assets are \$1,970,887, which increased over the prior year due to the excess of revenues over expenses. This increase is due to the hiring freeze and the Agency was not allowed to hire until later in year.

Total Liabilities: Consist of current liabilities of \$145,554 and long-term liabilities of \$9,193. Total liabilities are \$154,747. Liabilities decreased from the prior year due to a decrease in accrued payroll.

Net Assets: Consist of \$2,418 invested in capital assets, unrestricted net assets of \$1,813,732 that would be used for unexpected litigation and one year's budget in the event revenues cannot be collected.

Budgetary Adjustments: There was no budgetary adjustment for FY 11.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2011**

Results of Operations (Statement of Activities)

Total expenses consist of \$1,490,234 mainly for operation, employee salaries, and benefit purposes. In FY11, the Nurse Excellence Fund continues disbursing funds to nursing organizations.

Changes in Net Assets: The Board's total revenue decreased by approximately 1% from \$1,635,590 to \$1,624,736. The Board's total fund level expenses decreased by approximately 9.2% from \$1,948,483 to \$1,490,234, mainly from a decrease in personnel costs and IT contractual expenses.

Capital Assets and Long-Term Liabilities

The Board experienced a change in capital assets as investment in capital assets went from \$5,610 to \$2,418 due to normal depreciation of property and equipment. There is no significant change in long-term liability amounts from the prior year.

Analysis of Significant Variations in the Original Budget Amounts and Final Budget Amounts

The Board did not have any significant variations between the original budget submitted to the Department of Finance and Administration and the final budget approved by the Department of Finance and Administration.

Analysis of Significant Variances Between the Final Budgeted Amounts and the Actual Results

The Board rule to discontinue the foreign exam transcript review continues to foster a decrease in the number of foreign, educated nurses applying for licensure. This results to a decrease in charges for services.

Analysis of Board's Overall Financial Position and Results of Operations

Total net assets increased by approximately 8% from \$1,681,648 to \$1,816,150. The Board's total expenses decreased by approximately 23.5% from \$1,948,483 to \$1,490,234. The revenues decreased by approximately 1% from \$1,635,590 to \$1,624,736.

The Board continues to experience a decrease in revenue due to the change in rules by the Board to discontinue the evaluation of foreign transcripts.

Currently Known Facts, Decisions, or Conditions

Starting July 1, 2011, the Board implemented on line renewals for nurses. As the Board will no longer be sending renewal notifications to the nurses, the effect will be a decrease in the printing and postage expenditure. The response time to renew a license will increase from two weeks to one day.

Further information may be obtained from the Board of Nursing at 6301 Indian School NE, Suite 710, Albuquerque, New Mexico 87110.

**STATE OF NEW MEXICO
BOARD OF NURSING
STATEMENT OF NET ASSETS
GOVERNMENT-WIDE
As of June 30, 2011**

	<u>Governmental Activities</u>
CURRENT ASSETS	
Investments - State Treasurer investment pool	\$ 1,968,185
Other receivables	<u>294</u>
Total current assets	1,968,479
NON-CURRENT ASSETS	
Capital assets, net of accumulated depreciation	<u>2,418</u>
Total assets	<u><u>\$ 1,970,897</u></u>
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 73,882
Accrued payroll, taxes and benefits	34,901
Compensated absences payable, current portion	<u>36,771</u>
Total current liabilities	145,554
NON-CURRENT LIABILITIES	
Compensated absences payable, less current portion	<u>9,193</u>
Total liabilities	154,747
NET ASSETS	
Invested in capital assets	2,418
Restricted	9,460
Unrestricted	<u>1,804,272</u>
Total net assets	<u>1,816,150</u>
Total liabilities and net assets	<u><u>\$ 1,970,897</u></u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
For The Year Ended June 30, 2011**

	<u>Governmental Activities</u>
EXPENSES	
Personnel services	\$ 537,806
Operating costs	349,980
Employee benefits	214,332
Contractual services	316,002
Supplies	43,278
In-state travel	23,202
Out of state travel	2,442
Depreciation expense	<u>3,192</u>
Total expenses	1,490,234
PROGRAM REVENUES	
Charges for services	<u>1,621,339</u>
	131,105
GENERAL REVENUES	
Interest	<u>3,397</u>
Changes in net assets	134,502
Net change in fund balance	134,502
Net assets, beginning of year	<u>1,681,648</u>
Net assets, end of year	<u><u>\$ 1,816,150</u></u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2011**

	<u>General Fund (07200)</u>	<u>Nursing Excellence Fund (84200)</u>	<u>Total</u>
ASSETS			
Investments with State Treasurer	\$ 1,958,726	9,460	1,968,186
Other receivables	<u>294</u>	<u>-</u>	<u>294</u>
 Total assets	 <u>\$ 1,959,020</u>	 <u>9,460</u>	 <u>1,968,480</u>
LIABILITIES			
Accounts payable	\$ 82,698	-	82,698
Accrued payroll, taxes and benefits	<u>26,085</u>	<u>-</u>	<u>26,085</u>
 Total liabilities	 108,783	 -	 108,783
FUND BALANCE			
Restricted - recruitment/educational programs	-	9,460	9,460
Unassigned	<u>1,850,237</u>	<u>-</u>	<u>1,850,237</u>
 Total fund balance	 <u>1,850,237</u>	 <u>9,460</u>	 <u>1,859,697</u>
 Total liabilities and fund balance	 <u>\$ 1,959,020</u>	 <u>9,460</u>	 <u>1,968,480</u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of June 30, 2011**

Total fund balance - governmental funds \$ 1,859,697

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

Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.

These assets consist of:

Furniture and equipment	\$ 32,033	
Data processing equipment	30,802	
Accumulated depreciation	\$ <u>(60,417)</u>	2,418

Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.

These liabilities consist of:

Compensated absences	(45,964)
Adjustments due to rounding	(1)

Net assets of governmental activities	\$ 1,816,150
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**STATE OF NEW MEXICO
BOARD OF NURSING
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For The Year Ended June 30, 2011**

	General Fund (07200)	Nursing Excellence Fund (84200)	Total
REVENUES			
Charges for services	\$ 1,541,914	-	1,541,914
Licensure fees	-	79,425	79,425
Interest	<u>3,397</u>	<u>-</u>	<u>3,397</u>
 Total revenues	 1,545,311	 79,425	 1,624,736
EXPENDITURES			
Current:			
Personnel services	538,528	-	538,528
Operating costs	349,979	-	349,979
Employee benefits	214,332	-	214,332
Contractual services	316,002	-	316,002
Supplies	43,278	-	43,278
In-state travel	23,202	-	23,202
Out-of-state travel	<u>2,442</u>	<u>-</u>	<u>2,442</u>
 Total expenditures	 <u>1,487,763</u>	 <u>-</u>	 <u>1,487,763</u>
 Changes in revenues and expenditures	 57,548	 79,425	 136,973
 Net change in fund balance	 57,548	 79,425	 136,973
Fund balance, beginning of year,	<u>1,792,689</u>	<u>(69,965)</u>	<u>1,722,724</u>
 Fund balance, end of year	 <u>\$ 1,850,237</u>	 <u>9,460</u>	 <u>1,859,697</u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011**

Net change in fund balance - governmental funds	\$	136,973
Amounts reported for governmental activities in the statement of activities are different because:		
Adjustment to compensated absences		47,408
Depreciation expense		(3,192)
Adjustments due to rounding		<u>(1)</u>
Changes in net assets of governmental activities	\$	<u><u>181,188</u></u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROGRAM STRUCTURE BASIS (P677)
COMPRISED OF FUNDS 07200 AND 84200
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for service	\$ 1,671,300	1,671,300	1,621,339	(49,961)
Interest	-	-	3,397	3,397
Total revenues	<u>1,671,300</u>	<u>1,671,300</u>	<u>1,624,736</u>	<u>(46,564)</u>
Expenditures				
Current:				
Personal services and employee benefits	1,163,300	1,163,300	752,860	410,440
Contractual services	222,900	222,900	316,002	(93,102)
Other	<u>981,600</u>	<u>981,600</u>	<u>418,901</u>	<u>562,699</u>
Total expenditures	<u>2,367,800</u>	<u>2,367,800</u>	<u>1,487,763</u>	<u>880,037</u>
Excess (deficiency) of revenues over expenditures	<u>(696,500)</u>	<u>(696,500)</u>	<u>136,973</u>	<u>833,473</u>
Budgeted fund balance carryforward	<u>696,500</u>	<u>696,500</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>	<u>136,973</u>	<u>833,473</u>

Reconciliation of Budgetary Basis to Fund Financial Statement

Total budget basis expenditures for fiscal year 2011:	\$ 1,487,763
Adjustments:	
No adjustment necessary	<u>-</u>
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2011:	<u>\$ 1,487,763</u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ENTITY

1. Financial Reporting Entity

The Board of Nursing (the Board) was created under the Nursing Practice Act, Chapter 61. The Board operated on its own until the Regulation and Licensing Department was created July 1, 1983, by the Regulation and Licensing Department Act (Section 19 through 29, Chapter 297, Laws 1983). The Act provided that the administration of professional and occupational licensing functions of the executive branch of state government is consolidated under the supervision of this department upon executive order issued by the Governor. The New Mexico Board of Nursing was placed under the supervision of the Regulation and Licensing Department by Executive Order 86-09. On July 22, 1988, the Governor issued Executive Order 88-34, effective August 1, 1988, removing the Board from the supervision of the Regulation and Licensing Department.

The Board has the power to adopt and amend all bylaws and rules of procedure, not inconsistent with the constitution, the laws of this State or the Nursing Practice Act which may be reasonable for the proper performance of its duties and the regulation of its procedures, meeting records, examinations and the conduct thereof. The Board also shall adopt and promulgate rules of professional responsibility for professional nurses.

The Board of Nursing has no component units. The Board of Nursing does not apply applicable Financial Accounting Standards Board Pronouncements issued subsequent to November 30, 1989.

2. Basic Financial Statements – GASB Statement No. 34

The financial statements of the Board of Nursing have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis—For State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years.

The Board of Nursing implemented the provisions of GASB No. 34 effective July 1, 2001.

The basic financial statements include both government-wide (based on the Board of Nursing as a whole) and fund financial statements. The Board of Nursing has 2 funds – The General Fund and The Nursing Excellence Fund. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The Board of Nursing has governmental type activities and special revenue activities. In the government-wide Statement of Net Assets, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets, as well as long-term debt and obligations.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Program revenues include charges for services which consist principally of registration, exam and licensing fees to nurses. There is no allocation of expenses to functions because the sole function of the Board is its special purpose function of regulation of the nursing profession. General revenues include interest on cash deposit amounts.

This government-wide focus relates to the sustainability of the Board of Nursing as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental (general) fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board of Nursing's actual experience conforms to the budget of the fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements to the governmental column on the government-wide presentation.

3. Basis of Presentation – Fund Accounting

The financial transactions of the Board of Nursing are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and reported by generic classification in the accompanying financial statements.

The reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Board also considered its Nursing Excellence Fund to be a major program. The Board of Nursing uses the following fund types:

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

General Fund (SHARE Fund 07200 - nonreverting): Pursuant to the Laws of 1983, Chapters 297, the general fund is the general operating fund of the Board of Nursing. It is used to account for all financial resources; there are no resources required to be accounted for in another fund. The General fund is funded primarily through license and registration fees.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Special Revenue Fund: (SHARE Fund 84200 - nonreverting) Nursing Excellence Fund – Established in 2003, the fund was created to provide strategies to enhance recruitment and retention of professional nurses, increase career and educational opportunities and improve interaction with health facilities administrations, the medical profession and institutions of higher education. Revenue is generated through a surcharge of \$5 per license renewals issued. The Board is authorized to collect surcharges by 61-3-10.5 NMSA 1978. The General Fund has the authority to transfer funds up to \$400,000 annually. The fund receives no appropriations and is nonreverting.

4. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. The governmental funds in the fund financial statements are presented on a modified accrual basis using a current financial resources measurement focus. Internal activity and balances between funds is eliminated in the government-wide presentation.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within 60 days to be used to pay liabilities of the current period. The Board will apply expenditures first to restricted resources and then to unrestricted. The Board operates under a biennial license renewal policy.

5. Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, “for the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

The New Mexico State Legislature may make appropriations to the Board of Nursing. Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the program unit level.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

- a. By September 1st, the Board of Nursing prepares a budget request by appropriation unit to be presented to the next legislature.
- b. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
- c. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
- d. The Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- e. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
- f. Budgetary control is exercised at the appropriation program level of the Board of Nursing as a whole and changes are approved by the DFA.
- g. Appropriations, if reverting, lapse at the end of the year except for amounts in accounts payable.
- h. Beginning with fiscal year 2005, the General Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico.
- i. Appropriations are non-reverting and credited to the Nursing Fund per 61-3-27 NMSA 1978.
- j. There were no appropriations made during fiscal year 2011.

The budgetary comparison presented in the financial statements is on the program structure basis. This is comprised of the General and the Nurse Excellence Funds' individual budgets and both funds fall under the same overall program.

6. Accrued Annual Leave

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate.

7. Accrued Sick Leave

Chapter 150, Laws of 1983 provided for the payments to employees for accumulated sick leave under certain conditions. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semi-annual period. There is no limit to the amount of sick leave, which an

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For The Year Ended June 30, 2011**

employee may accumulate. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

8. Cash and Cash Equivalents

The Board's cash is on deposit with the New Mexico Office of the State Treasurer. The Board does not invest any of its funds. The State Treasurer's Office is responsible to ensure that the deposits are adequately insured or collateralized. The Board has defined cash and cash equivalents to include cash on deposit with the State Treasurer.

9. Receivables

Pursuant to Chapter 259, Laws of 1999, effective July 1, the Board earns interest on the State Treasurer's overnight investment. Interest due from other state agencies is accrued as of the end of the fiscal year. No allowance for doubtful accounts is established, since all amounts are collected in the subsequent fiscal year. Other receivables in the amount of \$294 consist of travel advances.

10. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Items with a cost of \$5,000 or more are capitalized per section 12-6-10 NMSA 1978.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The major classifications of capital assets and their related depreciable lives are as follows:

Furniture and equipment	5 years
Data processing equipment	5 years
Software	5 years

11. Net Assets/Fund Balance

In the government-wide financial statements net assets consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Board has no debt related to capital assets; therefore net assets invested in capital assets equal the capital assets, net of accumulated depreciation. Capital assets are defined as those tangible or intangible assets used in operations and having a useful life greater than a single reporting period.

Net assets are reported as restricted when constraints are placed on net asset use are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be used only for the specific purposes stipulated in the legislation.

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Legal enforceability means that a government can be lowered by an external party – such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of net assets restricted by enabling legislation is \$9,460 at June 30, 2011.

All remaining net assets that are not related to capital assets are shown as unrestricted. Unrestricted net assets are available for any lawful purpose. It is the Board's policy to first apply restricted assets when an expense is incurred and both restricted net assets are available.

12. Use of Estimates

The preparation of these financial statements 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. New Accounting Standards Affecting Board of Nursing

The Plan administered by the New Mexico Retiree Health Care Authority is a cost-sharing multiple employer plan as defined in GASB 45. Cost-sharing employers such as the Board are required to recognize other post employment benefit expense on the modified accrual of accounting for their contractually required contributions. Contributions are set by legislation and are not based on actuarial calculation. The legislature periodically reviews the contribution rates pursuant to 10-7c-156 NMSA 1978. The effects of GASB 45 are not significantly different from the previous pay as you go requirement for monthly contributions. Required disclosures of GASB 45 are contained in this footnote and Note E.

NOTE B – PERA PENSION PLAN

Plan Description. Substantially all of the Board of Nursing'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, 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. A copy of that report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board of Nursing is required to contribute 15.09%. The contribution requirements of the plan and the Board of Nursing are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Board of Nursing's contributions

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

to PERA for the years ended June 30, 2011, 2010, and 2009 were \$84,216, \$111,395, and \$138,638, respectively, equal to the amount of the required contribution for each year.

NOTE C – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Asset Description</u>	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Furniture and equipment	\$ 72,987	-	(40,953)	32,034
Data processing equipment	34,933	-	(4,131)	30,802
Software	4,258	-	(4,258)	-
Total fixed assets	112,178	-	(49,342)	62,836
Accumulated Depreciation				
Machinery and equipment	(67,608)	(3,192)	40,953	(29,847)
Data processing equipment	(34,933)	-	4,131	(30,802)
Software	(4,027)	-	4,258	231
Total accumulated depreciation	(106,568)	(3,192)	49,342	(60,418)
Net Capital Assets	\$ 5,610	(3,192)	-	2,418

Depreciation expense of \$3,192 was charged entirely to the regulation function. All capital assets are being depreciated.

NOTE D – LEASE COMMITMENTS

The Board of Nursing has leased its office space for a period extending through June 30, 2015. The lease has a term of 10 years with an option to renew for two additional five year periods. The lease has an escalation provision of 5% every other year over the full term of the lease (including renewal option). The lease is subject to early termination by the lessee if certain conditions are present. Additionally, the Board leases various office equipment and vehicles under lease agreements ranging from terms of one to five years. During the year ended June 30, 2011, the Board paid approximately \$171,524 under its various lease agreements.

Future payments under leases exceeding one year are as follows:

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

<u>For the years ending June 30,</u>	<u>Amount</u>
2012	138,089
2013	126,961
2014	122,475
2015	<u>127,092</u>
	<u>\$ 514,617</u>

NOTE E – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Board of Nursing 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.

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.

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

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For The Year Ended June 30, 2011**

the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

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>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, 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 Board's contributions to the RHCA for the year ended June 30, 2011, 2010, and 2009 were \$9,233, \$9,567, and \$10,864, respectively, which equal the required contributions for each year.

NOTE F – INVESTMENTS WITH STATE TREASURER INVESTMENT POOL

Investments of the Board of Nursing at June 30, 2011:

<u>Agency</u>	<u>SHARE Fund No.</u>	<u>Amount per Treasurer</u>	<u>Reconciling Items</u>		<u>Petty Cash</u>	<u>Balance per Financial Statements</u>
			<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>		
449	07200	\$ 1,958,672	-	-	54	1,958,726
449	84200	9,460	-	-	-	9,460
		<u>\$ 1,968,132</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>1,968,186</u>

There were no reconciling items provided to the Board by the State Treasurer's Office. Investments consist of interest in the State General Fund Investment Pool, which is managed by the New Mexico State Treasurer. In addition, the Nursing Board has a \$54 petty cash fund. The Board has no other investments. The Nursing Board does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. Please see the separately issued financial statements at the State Treasurer's office for information regarding credit risk and other risk disclosures and other information.

**STATE OF NEW MEXICO
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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

NOTE G – FUND BALANCE

In the governmental funds, GASB Statement No. 54 clarifies the existing fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds. GASB Statement No. 54 was implemented in the current fiscal year. Details of the Board's fund balance classifications and policies follows.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation, but are neither restricted or committed.

Spending policy – When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

NOTE H – RISK MANAGEMENT AND LITIGATION

The Board of Nursing is exposed to various risks of losses related to torts; theft of, or damage to, or destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various State statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Board of Nursing is party.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2011**

NOTE I – CHANGES IN ACCRUED COMPENSATED ABSENCES

	Balance at June 30, 2010	Deletions	Additions	Balance at June 30, 2011	Amount Due Within One Year
Annual leave	46,686	(27,631)	26,909	45,964	36,771
	46,686	(27,631)	26,909	45,964	36,771

The Board of Nursing's general fund is responsible for liquidating these liabilities.

SUPPLEMENTARY INFORMATION



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

Hector H. Balderas
New Mexico State Auditor and
Terri Fortner, Board Chairperson
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, the general fund, the special revenue fund, the budgetary comparison of the general fund, and the aggregate remaining fund information of the State of New Mexico Board of Nursing (the Board) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 11-03. A *significant deficiency* is a deficiency, or a combination

December 9, 2011

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*, continued

of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 11-01 and 11-02.

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

This report is intended solely for the information and use of management, the Board of Directors, the Office of the State Auditor, the Department of Finance and Administration, and the New Mexico State Legislature and its committees and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.
December 9, 2011

**STATE OF NEW MEXICO
BOARD OF NURSING**

**SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2011**

<u>Findings</u>	<u>Status of Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>State Auditor Rule</u>	<u>Material Weakness</u>	<u>Significant Deficiency</u>	<u>Compliance</u>
Prior Year Findings						
08-01 Financial Statement Adjustments	Resolved	Yes	No	No	Yes	No
10-01 Financial Statement Preparation	Resolved	Yes	No	No	Yes	No
10-02 Nursing Excellence Fund Deficit	Resolved	Yes	No	No	Yes	No
Current Year Findings						
11-01 Certification of Capital Assets	Current	No	Yes	No	No	No
11-02 Disposition of Capital Assets	Current	No	Yes	No	No	No
11-03 Reconciliation between L2K and SHARE	Current	Yes	No	No	Yes	No

CURRENT AUDIT FINDINGS

11-01 – CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY – State Audit Rule

Statement of Condition

The Agency did not certify its annual physical inventory of its capital assets as required by NMAC 2.20.1.16.

The Agency’s capital asset listing does not appear to be current and seems to contain items that are unlikely to currently exist at the agency, such as printers and computers that are beyond 10 years old. The current CFO (hired in late-May 2011) is in the process of reviewing the list and updating it as necessary.

Criteria

Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency’s auditors.

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 the governing authority of the agency. Also, idle items should be identified in the inventory.

Older capital assets that were capitalized under previous lower capitalization thresholds should not be removed from the capital assets list during the implementation of this latest capitalization threshold amount. Any new items received after June 17, 2005 should be added to the inventory list only if they meet the new capitalization threshold.

Effect

The inventory of the capital assets may not be correct, and monitoring of capital assets can be improved to prevent capital assets from going missing by theft or misplacement or sensitive computer information may be stolen.

Cause

**STATE OF NEW MEXICO
BOARD OF NURSING**

**SCHEDULE OF FINDINGS AND REPOSESES
For The Year Ended June 30, 2011**

The Agency was undergoing significant turnover in senior management and the need to certify the annual inventory was overlooked.

Recommendation

We recommend that when the Agency conducts a physical inventory of capital assets every year at fiscal year-end (June 30), they document the inventory was completed. The documented inventory should include a certification the inventory is correct and signed by a responsible official of each department of the Agency. Items that are considered idle must be identified for inclusion in the notes to the audited financial statements.

Management Response

The Agency was without a CFO during the majority FY11. The new CFO was hired close to year end. As the capital assets are fully depreciated, an inventory was not taken as there were more pressing issues. The Agency is currently working on an inventory of the assets and will work with the New Mexico Office of the State Auditor to dispose of all capital assets that are missing.

11-02 – DISPOSITION OF CAPITAL ASSETS – State Audit Rule

Statement of Condition

The Agency did not notify the Office of the State Auditor of capital assets it disposed of during the fiscal year ended June 30, 2011.

The Agency offered the General Services Department the right of first refusal on the assets disposed of, however the Office of the State Auditor was not notified when it was determined the assets were to be disposed of.

Criteria

Sections 13-6-1 and 13-6-2, NMSA 1978 require each agency to notify the state auditor's office when capital assets are disposed of.

Effect

The Agency is not in compliance with state statutes pertaining to the disposal of capital assets.

Cause

The Agency was undergoing significant turnover in senior management and the need to notify the state auditor was overlooked.

Recommendation

We recommend that the Agency notify the state auditor's office in the event the agency determines the disposal of property and equipment becomes necessary.

Management Response

Due to storage space, the Agency was disposing of computer items. As there was not a CFO for the majority of the year, the employees performing the duties were not aware of the requirement to notify the Office of the State Auditor. As the Agency is still reviewing and disposing of items

**STATE OF NEW MEXICO
BOARD OF NURSING**

**SCHEDULE OF FINDINGS AND REPOSES
For The Year Ended June 30, 2011**

listed on the Capital Asset Listing, the Agency will ensure that the proper procedures are being adhered to.

11-03 – RECONCILIATION BETWEEN L2K AND SHARE – Significant Deficiency

Statement of Condition

It was observed that there were discrepancies between the recorded revenue in the Agency's third-party licensing software and the revenue recorded in the SHARE system. Cumulatively, the SHARE system showed higher revenues of \$18,368 over what was recorded in the L2K system.

Per discussion with the CFO, all revenues are being run through the L2000 system. As the daily deposits are made, they are reconciled to the SHARE system; however there does not appear to be a method for reconciling on a monthly or quarterly basis to ensure the integrity of the data had not changed. The variances identified suggest that activity is either bypassing the L2000 system or adjustments are being made after the daily deposit and are not being captured on both systems.

Criteria

When third-party systems are used to track revenue, a periodic reconciliation should be performed to ensure consistency between the third-party system and the recorded revenue in the accounting system.

Effect

The integrity of the license data in the agency's licensing software could be at risk for inconsistencies or errors if changes or corrections are not identified and remedied timely.

Cause

Because deposits were reconciled on a daily basis, the need for a broader reconciliation was not considered necessary.

Recommendation

It is recommended that the Agency implement a process whereby the L2K system and SHARE are reconciled on a quarterly or monthly basis to ensure they remain consistent with each other and to identify any potential errors.

Management Response

In L2K, revenue sources are input based on the type of action that is being processed. During cash receipting, a revenue report is produced through L2K. Once produced, the Financial Specialist verifies that the correct revenue is calculated for the different revenue sources. Occasionally, a discrepancy is noted and corrected in SHARE but the revenue code in L2K has not been. Due to this, the report from L2K does not reconcile. As there was not a CFO for the majority of the year, this problem was not addressed. The Agency will begin reconciling on a monthly basis to ensure L2K and SHARE properly reconcile.

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**EXIT CONFERENCE
For The Year Ended June 30, 2011**

The basic financial statements have been prepared by Donna Arbogast, CFO New Mexico Board of Nursing.

* * * * *

An Exit Conference was held on December 9, 2011 and attended by the following:

For Hinkle + Landers, PC.:

Farley Vener	Managing Partner
Erick J. Robinson	Audit Manager

For the State of New Mexico Board of Nursing:

Dr. Robin Jones, Ed.D., MSN, RN	Chairperson
Terri Fortner, RN, MSN, PMHNP-BC	Vice-Chairperson
Polly Petersen, RN, MSN	Secretary
Rebecca Hatch, Public Member	Member
David Bramhall, Public Member	Member
Dr. Kathleen Lopez-Bushnell, Public Member	Member
Mike Wallace, MSN, FNP-BC	Member
Nancy Darbro, PhD, APRN, CNS, LPCC, LADAC	Interim Executive Director
Donna Arbogast	CFO/HR Director
Vicki Vehar	Financial Specialist