

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

STATE OF NEW MEXICO
BOARD OF NURSING

Financial Statements, Supplementary Information
and
Independent Auditor's Report

June 30, 2017

STATE OF NEW MEXICO BOARD OF NURSING

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STATE OF NEW MEXICO BOARD OF NURSING

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STATE OF NEW MEXICO BOARD OF NURSING

List of Principal Officials

June 30, 2017

Board of Directors

Dr. L. Ann Green	Chair
Claudia Saiz, RN, MSN	Vice Chair
Jonathan Palmer	Secretary
Rebecca Hatch	Member
Dr. Kirk Irby	Member
Kris Willingham	Member
Sally Schutte	Member

Staff

Demetrius Chapman, MPH, MSN(R), RN	Executive Director
Donna Arbogast	Chief Financial Officer and Director of Human Resources

Independent Auditor's Report

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Nursing
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, the non-major special revenue fund, and the budgetary comparison for the general fund of the State of New Mexico Board of Nursing (Board), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Nursing
Albuquerque, New Mexico

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the State of New Mexico Board of Nursing, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As discussed in Note 1, the financial statements of the State of New Mexico Board of Nursing are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund and its budgetary comparison of the State of New Mexico 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, 2017, and the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Nursing
Albuquerque, New Mexico

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of the Board'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* in considering the Board's internal control over financial reporting and compliance.

Porch & Associates LLC

Albuquerque, New Mexico
October 25, 2017

**STATE OF NEW MEXICO BOARD OF NURSING
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017**

This *Management’s Discussion & Analysis (MD&A)* is provided pursuant to the requirements of Statement 34 of the *Government Accounting Standards Board (GASB 34)*. The MD&A introduces the basic financial statements and provides an analytical overview of the State of New Mexico Board of Nursing’s (Board) financial activities.

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, nursing list, and interest earnings) and a budget, which is approved by the State Legislature each year.

Condensed Comparative Financial Information

Statements of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current assets	\$ 539,641	682,162
Capital assets, net of depreciation	<u>36,833</u>	<u>25,441</u>
Total assets	<u>\$ 576,474</u>	<u>707,603</u>

**STATE OF NEW MEXICO BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017**

	<u>June 30,2017</u>	<u>June 30, 2016</u>
Liabilities and Net Position		
Liabilities:		
Current liabilities	\$ 132,197	164,834
Compensated absences - non-current	<u>6,671</u>	<u>10,088</u>
Total liabilities	138,868	174,922
Net position:		
Invested in capital assets	36,833	25,441
Restricted	36,871	151,521
Unrestricted	<u>397,258</u>	<u>355,719</u>
Total net position	<u>437,606</u>	<u>532,681</u>
Total liabilities and net position	\$ <u><u>576,474</u></u>	<u><u>707,603</u></u>

Statements of Activities

Program expenses	\$ (1,849,747)	(2,189,694)
Program revenues and interest	<u>2,001,029</u>	<u>1,885,997</u>
Increase (Decrease) in net position	\$ <u><u>(151,282)</u></u>	<u><u>(303,697)</u></u>

Analysis of Financial Position (Statement of Net Assets)

Total Assets: Consist of investments of \$537,948 with the State Treasurer, receivables and other assets of \$1,693 and capital assets of \$36,833, net of accumulated depreciation. Total assets are \$576,474, which decreased over the prior year due to the excess of expenditure over revenues. This decrease is due the increase in funds used to purchase a new server and other IT needs.

Total Liabilities: Consist of current liabilities of \$132,197 and long-term liabilities of \$6,671. Total liabilities are \$138,868. Liabilities decreased from the prior year due to the decrease in the amount of voucher payables. The Board was more proactive in ensuring that our vendors were paid timely.

Net Assets: Consist of \$36,833 invested in capital assets, unrestricted net assets of \$397,258 that would be used for unexpected litigation and one year's budget in the event revenues cannot be collected and \$36,871 in restricted net assets that are reserved for the Nursing Excellence Funds.

**STATE OF NEW MEXICO BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017**

Budgetary

Adjustments: The Board had one budgetary adjustment of \$100,000 that was transferred from the 200 Personnel category to the 400 Other category. This was done to purchase the new server.

Results of Operations (Statement of Activities)

Total expenses consist of \$2,001,029 mainly for operation, employee salaries, and benefit purposes. In FY17, the Nurse Excellence Fund disbursed \$174,999 to nursing schools and organizations for nursing research and scholarships.

Changes in Net Assets: The Board's total revenue decreased from \$2,189,694 to \$1,849,747. The Board's total fund level expenses decreased by approximately 2.18% from \$2,045,576 to \$2,001,029, mainly from the decrease in personnel costs due to vacancies.

Capital Assets and Long-Term Liabilities

The Board experienced a change in capital assets as investment in capital assets went from \$42,347 to \$36,833. The decrease is due to the depreciation expense.

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

The Board processed one adjustment in FY17 between the original budget submitted to the Department of Finance and Administration and the final budget approved by the Department of Finance and Administration. The adjustment was for \$100,000 which was a decrease in the 200 category (Personnel), an increase for \$100,000 to the \$100,000 to the 400 category (Other).

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

The Board did not experience a significant variance between the final budgeted amounts and the actual amounts. In both revenues and expenditures, the variances were favorable.

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

Total net assets decreased by approximately 17.8% from \$532,681 to \$437,606. The Board's total expenditures decreased by approximately 2.18% from \$2,245,576 to \$2,001,029. The revenues decreased by approximately 1.92% from \$1,885,997 to \$1,849,747.

**STATE OF NEW MEXICO BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2017**

Currently Known Facts, Decisions, or Conditions

The agency has three retirements. The Board continues to update and improve the on-line licensing processes for nurses moving towards all licensing fees being paid on line with minimal paper applications. The Board has also embarked on several ambitious Information Technology Projects such as full implementation of electronic archiving of licensing documents. There were seven Nurse Excellence Award grants this past year totaling \$174,999.

The Board changed the expiration dates from the date of the nurse's graduation to the nurse's birthday date. Due to this, fees were prorated to the date of birth. This caused the revenues to decrease from budgeted.

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 POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash on hand	\$ 54
Cash	537,894
Prepaid expenses	1,693
	<u>539,641</u>
Non-current Assets	
Capital assets, net of accumulated depreciation	<u>36,833</u>
Total assets	<u>576,474</u>
LIABILITIES	
Current Liabilities	
Vouchers payable	54,161
Accrued payroll and related liabilities	49,722
Other liabilities	271
Stale dated warrants	1,358
Compensated absences, current portion	26,685
Total current liabilities	<u>132,197</u>
Long-term Liabilities	
Compensated absences	<u>6,671</u>
Total liabilities	<u>138,868</u>
NET POSITION	
Net investment in capital assets	36,833
Restricted	36,871
Unrestricted	<u>363,902</u>
Total net position	<u>\$ 437,606</u>

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

STATE OF NEW MEXICO BOARD OF NURSING
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	Governmental Activities
EXPENSES	
Personal services and employee benefits	\$ 1,287,034
Contractual services	81,638
Other costs	603,881
Total expenses	<u>1,972,553</u>
Program Revenues	
Charges for services: Licenses, fees, permits, and penalties	1,818,968
General Revenues	
Other	28,393
Interest	2,386
Total revenues	<u>1,849,747</u>
Change in Net Position	<u>(122,806)</u>
Net position, beginning of year, before restatement	532,681
Restatement	27,731
Net position, beginning of year, as restated	<u>560,412</u>
Net position, ending	<u><u>\$ 437,606</u></u>

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

**STATE OF NEW MEXICO BOARD OF NURSING
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017**

	General	Nursing Excellence	Total
ASSETS			
Cash on hand	\$ 54	-	54
Cash	501,023	36,871	537,894
Prepaid expenses	1,693	-	1,693
Total assets	\$ 502,770	36,871	539,641
LIABILITIES AND FUND BALANCE			
Liabilities			
Vouchers payable	\$ 54,161	-	54,161
Accrued payroll, taxes, and benefits	49,722	-	49,722
Other liabilities	271	-	271
Stale dated warrants	1,358	-	1,358
Total liabilities	105,512	-	105,512
Fund Balance			
Restricted for Board of Nursing excellence fund	-	36,871	36,871
Unassigned	397,258	-	397,258
Total fund balance	397,258	36,871	434,129
Total liabilities and fund balance	\$ 502,770	36,871	539,641

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

**STATE OF NEW MEXICO BOARD OF NURSING
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017**

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

Total fund balances - governmental funds	\$ 434,129
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	36,833
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(33,356)</u>
Net position - governmental activities	<u><u>\$ 437,606</u></u>

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 BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

	General	Nursing Excellence	Total
Revenues			
Licenses, fees, permits, and penalties	\$ 1,765,321	53,647	1,818,968
Other	21,691	6,702	28,393
Interest	2,386	-	2,386
Total revenues	1,789,398	60,349	1,849,747
Expenditures			
Current:			
Personal services and employee benefits	1,304,118	-	1,304,118
Contractual services	81,638	-	81,638
Other costs	413,347	174,999	588,346
Capital outlay	26,927	-	26,927
Total expenditures	1,826,030	174,999	2,001,029
Change in fund balances	(36,632)	(114,650)	(151,282)
Fund balance, beginning of year, before restatement	406,159	151,521	557,680
Restatement	27,731	-	27,731
Fund balance, beginning of year, after restatement	433,890	151,521	585,411
Fund balance, end of year	\$ 397,258	36,871	434,129

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

**STATE OF NEW MEXICO BOARD OF NURSING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

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

Changes in fund balances - governmental funds \$ (151,282)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlay exceeded depreciation in the current period.

Depreciation expense	(15,535)	
Capital outlay	<u>26,927</u>	11,392

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method.		<u>17,084</u>
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Change in net position - governmental activities \$ (122,806)

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

**STATE OF NEW MEXICO BOARD OF NURSING
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Licenses, fees, permits, and penalties	\$ 1,913,000	1,913,000	1,765,321	(147,679)
Other	35,400	35,400	24,267	(11,133)
Interest	500	500	2,386	1,886
Total revenues	1,948,900	1,948,900	1,791,974	(156,926)
Expenditures				
Personal services and employee benefit:	1,540,600	1,440,600	1,310,389	130,211
Contractual services	150,400	150,400	81,638	68,762
Other costs	407,000	507,000	424,365	82,635
Capital outlay	-	-	26,927	(26,927)
Total expenditures	2,098,000	2,098,000	1,843,319	254,681
Net change in fund balance	(149,100)	(149,100)	(51,345)	<u>97,755</u>
Prior year fund balance required to balance the budget	149,100	149,100	51,345	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Non-GAAP budgetary basis revenues			\$ 1,791,974	
Change in other receivables			<u>(2,576)</u>	
GAAP revenues			<u>\$ 1,789,398</u>	
Non-GAAP budgetary basis expenditures			\$ 1,843,319	
Change in prepaid expenses			1,693	
Change in accounts payable			(12,982)	
Change in accrued payroll, taxes, and benefits			(6,271)	
Other liabilities			271	
GAAP expenditures			<u>\$ 1,826,030</u>	

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

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The State of New Mexico Board of Nursing (Board) was created July 1, 1983, by the Nursing Practice Act, New Mexico Statutes 1978 Annotated 61-3-1 through 61-3-31. The Board is a non-reverting agency to the State General Fund.

The purpose of the Board is to protect the citizens of the state of New Mexico by licensing Nurses and certifying Hemodialysis Technicians and Medication Aides; regulating education programs for licensees and certificate holders; regulating practice; taking complaints and disciplining licensees and certificate holders who violate the law and rules.

The Board has the power to adopt and amend all bylaws and rules of procedure not inconsistent with the constitution, the laws of the state of New Mexico, 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 conduct thereof. The Board also adopts and promulgates rules for professional responsibility for professional nurses.

A. Financial Reporting Entity

The Board of Directors, a seven-member group consisting of an on-going entity, is the level of government which has governance responsibilities over all activities related to the Board. The Board is not included in any other government "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Even though board members are appointed by the governor, they have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. Included within the reporting entity is the Board as described above. Other executive branch entities of government are excluded because they are established separately by statutes.

As required by GAAP, financial statements are presented for the Board and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Board has no component units.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Government Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type activities. The Board has only governmental type activities. In the government-wide statement of net position, the governmental column reflects a full accrual economic resources basis, which incorporates long-term assets as well a long-term debt and other obligations. Neither fiduciary funds nor component units that are fiduciary in nature are included.

The government-wide statement of activities reflects both the gross and net cost per functional category which is otherwise being supplied by general government revenue. The statement of activities reduces gross expenses (including depreciation) by related program revenues, and operating and capital grants. The program revenues are directly associated with the function. The Board includes only one function in its statement of activities (general government).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts reported as *program revenues* in the Statement of Activities include 1) licensing fees, permits, and penalties, 2) other revenues, and 3) interest income.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is made.

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

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Board recognizes revenue in accordance with GASB Codification Section 1600, paragraph 112. This paragraph states that although an entity may send an invoice for a business license, it is not possible to know if the business will renew the license. This guidance also applies to professional licenses. Therefore, the point of renewal of a professional license is the time of payment because the Board would not know if a license is being renewed until the payment is received. As a result, the board does not recognize accounts receivable or income for invoiced but unpaid licenses at year-end.

Other revenues susceptible to accrual are investment income. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Board reports the following major governmental funds:

General Fund (Fund #07200 – non-reverting). The General Fund is the Board's primary operating fund. It accounts for all of the financial resources of the Board. The General Fund is funded primarily through license and registration fees. The General Fund is a non-reverting fund created by Sections 61-3-1 through 61-3-31, NMSA 1978.

The Board reports the following nonmajor governmental funds:

Nursing Excellence Fund (Fund #84200 – non-reverting). The Nursing Excellence Fund was established in 2003 to provide fund strategies to enhance recruitment and retention of professional nurses, increase career and educational opportunities, and improve interactions with health facilities administrations, the medical profession, and institutions of higher education. Section 91-6-10.5 allows the board to impose a license renewal surcharge in an amount not to exceed \$20 in order to support the Nursing Excellence Fund.

D. Cash – Fiscal Agent

The New Mexico Department of Finance and Administration acts as the fiscal agent for the Board. The fiscal agent is responsible for the processing of all cash disbursements and payroll functions. The New Mexico State Treasurer maintains the Board's cash and cash receipts.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Inventory

Office supply inventory items are expended when purchased. Therefore, the financial statements do not reflect inventories of office supplies on hand at year-end.

F. Capital Assets

Capital assets, which are comprised of equipment, are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year.

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. Such assets, including infrastructure, have higher limits that must be met before they are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 years
Data processing equipment	5 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

G. Accrued Compensated Absences

Full-time employees are entitled to accumulated annual leave at a rate based on years of service. A maximum of thirty working days of such accumulated annual leave may be carried forward into the beginning of the calendar leave year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of thirty days.

Employees are entitled to accumulated sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty percent (50%) of each employee's hourly rate for accumulated sick leave over 50 hours up to 120 hours.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Fund Balances

The Board follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Board itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Board intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board has reviewed each of the classifications and has determined that the fund balance for the general fund is unassigned, and the fund balance for nursing excellence fund is restricted.

The Board would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The nursing excellence fund is restricted by enabling legislation. The general fund is unrestricted.

J. Budgetary Information

The Board follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Board submits to the Department of Finance and Administration, State of New Mexico, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them as approved by the State Legislature.
2. Budget appropriations lapse if not encumbered at the end of the fiscal year. Unexpended funds do not revert to State General Fund.
3. Amendments to budget line items are obtained by filing a budget adjustment request with the Budget Division of the Department of Finance and Administration, State of New Mexico. Increase in the total must be approved by the State Legislature.
4. The Board's budget for the fiscal year ending June 30 was amended in a legally permissible manner by reallocating line item totals as the need arose during the fiscal year.

K. Use of Estimates

The preparation of 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.

**STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

L. Implementation of New Accounting Standards

During the year ended June 30, 2017, the Board adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 77 – Tax Abatement Disclosures. The objective of this Statement is to assist the users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services, (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The statement will not have a material impact on the Board’s financial statements.

NOTE 2. CASH

State law requires the Board’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the cash of the Board consists of cash in the General Fund Investment Pool (GFIP) or (Pool) managed by the New Mexico State Treasurer's Office.

Cash invested with the New Mexico State Treasurer at June 30, 2017 is as follows:

Name of Depository	Account Name	Agency Number	Fund #	Balance per Depository	Reconciling Items		Balance per Books
					Outstanding Warrants	Other	
NM State Treasurer GFIP	General Fund	449	0720 0	\$ 501,023	-	-	\$ 501,023
NM State Treasurer GFIP	Nursing Excellence Fund	449	8420 0	36,871	-	-	36,871
				<u>\$ 537,894</u>			<u>\$ 537,894</u>

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity. The Board is not authorized to make investments with funds on deposit with the New Mexico State Treasurer.

The Board has a \$54 petty cash fund.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. CASH (CONTINUED)

The New Mexico State Treasurer's Office (STO) has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10, I through P, NMSA 1978, as amended. STO, with the advice and consent of the State Board of Finance, can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its department or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price difference representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the U.S. of other securities backed by the U.S. having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least 102% of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of STO or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the STO invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. CASH (CONTINUED)

- (e) Shares of a diversified investment company registered pursuant to the Federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by STO pursuant to this paragraph are less than five percent of the assets of the investment company; or
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by STO pursuant to this paragraph are less than five percent of the assets of the individual, common, or collective trust fund.

No public funds can be invested in negotiable securities, or loans to financial institutions fully secured by negotiable securities at current market value, unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertified securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For cash management and investment purposes, the Board's funds are deposited in the State General Fund Investment Pool (Pool), which is managed by STO. Claims on the Pool are reported as assets by various agencies investing in the Pool, including the Board.

Credit Risk and Interest Rate Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Pool is not rated for credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have an investment policy that limits interest rate risk.

For additional GASB 40 disclosure information regarding cash held by STO, the reader should see the separate audit reports for STO for the fiscal year ended June 30, 2017.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets				
Furniture and equipment	\$ 19,034	-	-	19,034
Data processing equipment	95,124	26,927	-	122,051
Total capital assets	114,158	26,927	-	141,085
Accumulated depreciation for:				
Furniture and equipment	19,034	-	-	19,034
Data processing equipment	69,683	15,535	-	85,218
Total accumulated depreciation	88,717	15,535	-	104,252
Total capital assets, net	\$ 25,441	11,392	-	36,833

Depreciation expense was charged to other costs in the general fund

NOTE 4. COMPENSATED ABSENCES

During the year ended June 30, 2017, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Compensated absences payable	\$ 50,440	39,857	(56,941)	33,356	26,685

Compensated absences have been valued using the pay rates in effect at June 30, 2017 and does not include estimated payroll tax and fringe benefits. The general fund has been used to liquidate compensated absences.

NOTE 5. LONG TERM LEASE CONTRACT

In June 2004, the Board entered into a long-term lease for the rental of office space which has been extended through May 2022. Lease payments are \$10,511.97 from June 1, 2016 to May 31, 2018, \$10,774.17 from June 1, 2018 to May 31, 2019, and \$11,042.34 from June 1, 2019 to May 31, 2022. The lease is subject to early termination by the lessee if certain conditions are present.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5. LONG TERM LEASE CONTRACT (CONTINUED)

Additionally, the Board leases various office equipment and vehicles under lease agreements with terms ranging from one to five years.

During the year ending June 30, 2014, the Board paid \$141,895 under its various lease agreements.

Future payments under leases exceeding one year are due for the year ending June 30:

2018	\$ 141,262
2019	144,146
2020	144,414
2021	139,408
2022	<u>123,626</u>
Total	<u>\$ 692,856</u>

NOTE 6. PERA PENSION PLAN

Plan Description: All of the Board'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. That report may be obtained by writing to PERA, PO 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 is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Board are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the years ending June 30, 2017, 2016, and 2015 were \$156,357, \$147,635, and, \$144,378, respectively, equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7. ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

The State of New Mexico follows the requirements of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*.

The State of New Mexico Board of Nursing, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 8. POST-EMPLOYMENT BENEFITS

Plan Description. The Board 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 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 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.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The Board's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$18,406, \$17,379, and \$17,003, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO BOARD OF NURSING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Board maintains commercial insurance coverage through the Risk Management Division for workers compensation, auto liability, general liability, civil rights, and property and contents. Management believes that a potential loss would be adequately covered by insurance and would not result in any material adverse effect on the financial condition of the Board. During the past three years the Board has not had any significant reductions in insurance coverage or settlements exceeding insurance coverage.

NOTE 10. SUBSEQUENT EVENTS

The Board has evaluated subsequent events through October 25, 2017, the date the financial statements were available to be issued. During that time period the following material subsequent event occurred:

- On October 1, 2017, the Board of Nursing increased fees for some of the nursing licenses. The renewal periods are those that expire in November 2017 and thereafter. The renewal fee went from \$93 to \$110 for a two-year period. The initial license and the endorsement license went from \$110 to \$150 for a two-year period. The reactivation licenses went from \$110 to \$200 for a two-year period.

NOTE 11. PRIOR PERIOD RESTATEMENT

The June 30, 2016 audit included a payable in the amount of \$20,261 which had been paid during that year. The amount should not have been a payable at year end. In addition, the June 30, 2016 audit included accrued liabilities in the amount of \$7,470 which have been outstanding since between 2006 and 2010. The liabilities are not valid. The invalid payable and liabilities have been corrected through a prior period restatement. The restatement increased opening net position and opening fund balance by \$27,731.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, the non-major special revenue fund, and the budgetary comparison for the general fund of the State of New Mexico Board of Nursing (Board) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Timothy Keller, New Mexico State Auditor and
The Board of Directors
State of New Mexico Board of Nursing
Albuquerque, New Mexico

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 which are described in the accompanying schedule of findings and responses as items 2016-001, 2017-001, 2017-002, and 2017-003.

Board's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Porch & Associates LLC

Albuquerque, New Mexico
October 25, 2017

**STATE OF NEW MEXICO BOARD OF NURSING
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

Findings from Year Ended June 30, 2016:

2016-001 Travel Reimbursements

Current Status:

Repeated

**STATE OF NEW MEXICO BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

2016-001 Travel Reimbursements (Compliance and Other Matter)

Condition: During our test work over travel and per diem expenditures, we noted the Board did not maintain in writing the approval of reimbursements over \$1,500 singly or in the aggregate.

Criteria: Per section 10-8-5(1) NMSA 1978, a state employee may not be reimbursed more than \$1,500, singly or in the aggregate, in any one year “until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor, or in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel.”

Per 2.42.2.7 (L), “Travel” means: for per diem purposes, being on official business away from home and at least 35 miles from the designated post of duty of the public officer or employee.

The Board’s internal policies and procedures require a supervisory approval of all travel and per diem vouchers prior to submission to the Department of Finance and Administration (DFA).

Management’s Progress Towards Implementing the Prior Year Planned Corrective Actions: The Board had prepared and delivered letters to the Governor and is awaiting a response.

Effect: The Board is not in compliance with the State Statute.

Cause: Management was not aware of the requirement, and therefore did not incorporate internal controls to comply with the statute.

Auditor’s Recommendation: We recommend the Board design and implement controls to ensure that the Board is in compliance with the State Statute.

Management Response:

Corrective Action(s): Management agrees with this finding. Letters will be completed for all employees, Board of Nursing members, and committee members whether they will reach the threshold when reimbursements are first requested for the fiscal year.

Responsible person(s): Chief Financial Officer

Timeline of corrective action: December 1, 2017.

**STATE OF NEW MEXICO BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2017**

**2017-001 Insufficient Internal Control over Payroll Processing and Payroll Files
(Compliance and Other Matter)**

Condition: The New Mexico State Personnel Office (SPO) performs the payroll function for the Board, including keeping complete and accurate payroll files. During our test work over payroll we noted that SPO does not provide a detailed payroll register to the Chief Financial Officer after each payroll processing cycle is completed. As a result, payroll is not being reviewed for errors or fraud. We asked SPO if they reviewed the completed payroll, and they stated that they do not. They only process the payroll.

In addition, as part of our testwork we tested eight personnel files to ensure they were complete and accurate. We found that one payroll file did not contain an I9 Form.

Criteria: Good accounting practices require the Board to review financial transactions and reports such as the detailed payroll reports and personnel files. Not doing this increases the risk that unauthorized transactions could occur, funds could be inappropriately accounted for, and transactions could be inaccurately recorded and reported.

Effect: There could be errors in the payroll records and they will not be found.

Cause: The Board is dependent on SPO. SPO has not given the Board access to detailed payroll reports. In addition, SPO has not audited each personnel file to ensure they are complete.

Auditor's Recommendation: The Board should ask SPO to deliver a detailed payroll report after each payroll cycle. The Board should also ask SPO to perform a detailed personnel file audit, or to grant access to the Board so that they can perform the audit.

Management Response:

Corrective Action(s): Management agrees with this finding. The Board of Nursing has requested from SPO a payroll register after each pay period. The Chief Financial Officer will review the register for accuracy. The Board will also ensure that SPO reviews the finding to audit the personnel files for completeness.

Responsible person(s): Chief Financial Officer and State Personnel Office.

Timeline of corrective action: October 1, 2017.

**STATE OF NEW MEXICO BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2017**

2017-002 Processing of Stale Dated Warrants (Compliance and Other Matter)

Condition: The Board has on the statement of net position \$1,358 in stale dated warrants more than a year old.

Criteria: Section 6-1-57 NMSA 1978 requires all warrants over a year old to be cancelled. For non-reverting funds, revenue should be recognized and then re-budgeted and processed as a prior year expenditure for any items the Board intends to pay with the funds.

Effect: The Board is not in compliance with state statutes related to stale dated warrants.

Cause: The Board was not aware of the requirement to cancel stale dated warrants older than one year.

Auditor's Recommendation: The Board should develop a process to review stale dated warrants and process them according to state statutes.

Management Response:

Corrective Action(s): Management agrees with this finding. The Board will review all stale dated checks monthly.

Responsible person(s): Chief Financial Officer.

Timeline of corrective action: November 1, 2017.

**STATE OF NEW MEXICO BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2017**

2017-003 Capital Asset Inventory (Compliance and Other Matter)

Condition: The Board performed a physical inventory of assets more than \$5,000. However, the Board has not performed a physical inventory of assets greater than \$1,000.

Criteria: Section 12-6-10 NMSA 1978 requires each agency, at the end of each fiscal year, to conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.

NMAC Section 2.20.1.16 A states that at the end of each fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of one thousand dollars (\$1,000) or more, under the control of the governing authority. The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

Effect: The Board is not in compliance with the administrative code as it relates to capital asset inventory.

Cause: The Board was not aware of the requirement to inventory capital assets with a cost of between \$1,000 and \$5,000.

Auditor's Recommendation: The Board should develop a process to inventory capital assets with a cost of between \$1,000 and \$5,000.

Management Response:

Corrective Action(s): Management agrees with this finding. The IT manager will establish a list of all IT equipment over \$1,000 and the CFO will establish a list of all other assets over \$1,000.

Responsible person(s): IT Manager and Chief Financial Officer.

Timeline of corrective action: November 1, 2017.

**STATE OF NEW MEXICO BOARD OF NURSING
EXIT CONFERENCE
Year Ended June 30, 2017**

An exit conference was held November 1, 2017, and attended by the following:

State of New Mexico Board of Nursing

Jonathan Palmer, Board Secretary

Demetrius Chapman, MPH, MSN(R), RN, Executive Director

Donna Arbogast, Chief Financial Officer and Human Resources Director

Porch & Associates LLC

Thad Porch, Managing Principal

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Board. However, the contents of these financial statements remain the responsibility of the Board's management.