



Certified Public Accountants

ricci&company llc

STATE OF NEW MEXICO
OFFICE OF WORKFORCE
TRAINING AND
DEVELOPMENT

FINANCIAL STATEMENTS

JUNE 30, 2007

STATE OF NEW MEXICO
OFFICE OF WORKFORCE
TRAINING AND DEVELOPMENT

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**STATE OF NEW MEXICO
OFFICE OF WORKFORCE
TRAINING AND DEVELOPMENT**
Official Roster
As of June 30, 2007

STATE WORKFORCE DEVELOPMENT BOARD MEMBERS

Terri Cole, Chair, Business Representative
Gary Beene, New Mexico Division of Vocational Rehabilitation
Maida Branch, Business Representative
Ken Brown, Business Representative
Charles Cambron, Business Representative
Jose Campos, New Mexico House of Representatives Representative
Kenneth Carson Sr., Youth Program Representative
Isabel Chavez, Business Representative
Conroy Chino, New Mexico Department of Labor Representative
Marc Christensen, Business Representative
Carl Condit, Labor Representative
Judith Espinosa, New Mexico Lt. Governor Representative
Katie Falls, New Mexico Human Services Department Representative
Emerson Farley, Labor Representative
Reese Fullerton, Office of Workforce Training & Development Representative
Phil Griego, New Mexico Senate Representative
Ted Hobbs, New Mexico House of Representatives Representative
Rick Homans, Economic Development Department Representative
Adele Hundley, Business Representative
Ken Huey, Jr., Business Representative
J. P. Jones, Business Representative
Alex Martinez, Youth Program Representative
Linda McArthur, Business Representative
Beverlee McClure, New Mexico Higher Education Representative
Moise Medina, Northern Area Board Representative
Michael Olguin, Business Representative
Michael Padilla, Business Representative
Rebecca Rowley, Community College Representative
John Sapien, Central Area Board Representative
Bernie Sandoval, Business Representative
Danny Sandoval, CYFD Representative
Art Schreiber, Business Representative
Jimmie Shearer, Eastern Area Workforce Board Representative
Linda Smrkovsky, Southwest Area Workforce Board Representative
Ron Solimon, Business Representative
Greg Trapp, Commission on the Blind Representative
Lena Trujillo-Chavez, New Mexico Public Education Department Representative
Sue Wilson-Beffort, New Mexico Senate Representative

ADMINISTRATIVE OFFICIALS

Lenton Malry, Interim Executive Director	Sylvia Abeyta, Human Resources
William A. Dunbar, Director of Operations	Michael Mulligan, Chief Financial Officer
Suzette R. Lucero, Bureau Chief	Floyd Archuleta, Bureau Chief
Debbie Jaramillo, Executive Assistant	Shawn A. Brown, General Counsel

Independent Auditors' Report

Members of the State Workforce Development Board
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund, including the budgetary comparisons, of the State of New Mexico Office of Workforce Training and Development (OWTD) as of and for the year ended June 30, 2007, which collectively comprise OWTD's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of OWTD'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 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 opinion.

As discussed in Note 1, the financial statements of OWTD are intended to present the financial position, and the changes in financial position of each major fund and of the State of New Mexico that is attributable to the transactions of OWTD. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of OWTD, as of June 30, 2007, and the respective changes in financial position, and the budgetary comparison for each major governmental fund's activities, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the State Workforce Development Board
and
Mr. Hector Balderas
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2008, on our consideration of OWTD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OWTD's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ricci & Company LLC

Albuquerque, New Mexico
October 24, 2008

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

The Office of Workforce Training & Development's (OWTD's) management's discussion and analysis is designed to provide an overview of the agency's financial activities for the fiscal year ended June 30, 2007 (FY2007).

OWTD is the designated State Administrative Entity (SAE) for the federal Workforce Investment Act (WIA) program and funding appropriated under the Act. The State Controller authorized OWTD to begin operating as an independent state agency effective July 1, 2004. Prior to that time, the Job Training Division of the former New Mexico Department of Labor, predecessor to the OWTD, administered the program. The Office of Workforce Training and Development was created by enactment of House Bill 98 during the 2005 Regular Legislative Session. Compiled as Laws 2005, Chapter 111, H.B. 98 charges the OWTD with administering the WIA program and coordinating other job training programs in New Mexico.

The Basic Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. This is in compliance with generally accepted accounting principles (GAAP) accepted in the United States of America. In addition, it consists of combining financial statements and individual fund budget comparison statements.

Management's discussion and analysis also explains the structure and contents of each of the statements and is included as required supplementary information supporting the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements report information about the Office of Workforce Training & Development in the aggregate. 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.

Fund Financial Statements

The fund financial statements provide more detailed information about OWTD's three funds. These funds are self-balancing sets of accounts that the Agency uses to keep track of specific sources of funding and spending for particular purposes.

The Office of Workforce Training & Development operates by administering the following three funds:

- Fund 518 – Family Opportunity Account Act (FOAA) Fund
- Fund 981 – OWTD Operating Fund; and
- Fund 984 – Local WIA Board Fund

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

OWTD's annual operating budget is approved by the New Mexico Department of Finance & Administration each year after appropriations by the State Legislature are enacted by the Governor via his signature of the annual appropriation act. In FY2007, OWTD operated with a combination of federal funds and State general fund. OWTD operated the following programs and in the following funds in FY2007:

1. Fund 518
 - 1.1. Family Opportunity Account Act Program

2. Fund 981
 - 2.1. OWTD Operations Program
 - 2.2. At-Risk Youth General Fund Program
 - 2.3. Disability Navigator (DPN) Program
 - 2.4. Base Re-Alignment Commission (BRAC) Grant
 - 2.5. New Mexico Comprehensive Employment System
 - 2.6. Career Clusters Initiative
 - 2.7. One-Stop Career Centers

3. Fund 984
 - 3.1. WIA Local Boards Program

The Family Opportunity Account Act Program provides individuals or families the opportunity to establish an interest-earning savings account in which every deposit the individual or family makes is matched by the program with state or private dollars. The funds in these Individual Development Accounts are restricted to placing a down payment on a home, starting or expanding a micro-business or paying for college or vocational education. The OWTD Operations Program supports administration of the Federal Workforce Investment Act (WIA) grant administered by OWTD and statewide activities carried out by the Office under WIA. The At-Risk Youth General Fund Program provides skills and job training assistance to youth at risk of dropping out of high school or other detrimental circumstances. The Disability Program Navigator (DPN) Program supports the provision of job training assistance for individuals receiving benefits from the Temporary Assistance for Needy Families (TANF) Program. The Base Re-Alignment Commission (BRAC) Grant provides funding to address military base mission adjustments and realignments in New Mexico. The New Mexico Comprehensive Employment System program seeks to advance the employability of persons with disabilities under a joint powers agreement with the Human Services Department. The Career Clusters Initiative seeks to educate students, educators, policy makers and business leaders on the steps needed to develop a trained, highly skilled workforce. The One-Stop Career Centers program provides startup and infrastructure funding for one-stop service centers in the Central and Eastern local workforce development areas. The WIA Local Boards Program provides funding to Local Area Workforce Investment Boards, which in turn provide job training and other services at the local level.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Budget Comparison Statements

The budget comparison statements present the original and final appropriated budget for the reporting period as well as actual inflows and outflows stated on a budgetary basis for each of the OWTD's funds. Positive variances are considered to be favorable and negative variances are considered to be unfavorable.

The following exhibit titled Budget Revisions By Fund reflects the variances between the original budgeted and final appropriated budget amounts in each fund for FY2007.

Budget Revisions By Fund

	OWTD's Operating Fund	Local WIA Board Fund	Family Opportunity Account Act Fund
Revenues			
State General Fund Appropriations	\$ 900,000	-	250,000
Federal Revenues	(10,954,200)	-	-
 Total Revenue Budget Revisions	 (10,054,200)	 -	 250,000
Expenditures			
Personnel Services & Benefits	234,500	-	-
Contractual Services	165,000	-	1,425,000
Other Costs	(10,853,700)	-	(1,425,000)
Other Financing Uses	-	-	-
 Total Expenditure Budget Revisions	 \$ (10,454,200)	 -	 -

Variances between beginning budget amounts and final budget amounts in OWTD's Operating Fund (which result from budget adjustments) are due to adjustments to the other costs category resulting from the loss of the Temporary Assistance To Needy Families Works program in FY2007. This also led to a corresponding reduction in federal revenues originally budgeted in OWTD's Operating Fund from that program. The increase in State General Fund appropriations to OWTD's Operating Fund was due to multi-year appropriations for One-Stop Service Centers in the Central and Eastern local workforce development areas and for the Career Clusters Initiative program.

Variances between beginning budget amounts and final budget amounts in the Family Opportunity Account Act (FOAA) fund is due to a special appropriation by the Legislature for Individual Development Accounts. The increase and corresponding decrease between the contractual services and other categories reflects a reclassification of the expenditures between these two categories. Appropriations to the FOAA fund do not revert back to the General Fund and remain in the FOAA in reserve for future use.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

The following exhibit titled Budget To Actual Variances By Fund reflects the variances between the final appropriated budget amounts and actual inflows and outflows on a budgetary basis.

Budget To Actual Variances By Fund

	OWTD's Operating Fund	Local WIA Board Fund	Family Opportunity Account Act Fund
Revenues			
State General Fund Appropriations	\$ 25,000	-	-
Reversions to State General Fund	(132,508)	-	-
Federal Revenues	(841,812)	(2,207,809)	-
Other	3,929	45,802	34,349
Total Revenue Budget To Actual Variance	(945,391)	(2,162,007)	34,349
Expenditures			
Personnel Services & Benefits	222,055	-	44,588
Contractual Services	172,169	-	1,038,983
Other	511,133	2,207,809	-
Other Financing Uses	7,000	-	-
Total Expenditures Budget To Actual Variance	\$ 912,357	2,207,809	1,083,571

Variances between budgeted and actual amounts in OWTD's Operating Fund are attributable to less than anticipated expenditures in the personal services/personal benefits, contractual services and other categories in the WIA program. This reduction in budgeted expenditures for these categories is also responsible for the reduction in federal revenues.

Variances between budgeted and actual amounts in the Local WIA Board fund is due to less than anticipated expenditures by the local workforce investment boards, which also led to less than anticipated reimbursements to them of WIA act funds. This is also responsible for the less than anticipated federal revenues realized in this fund.

Finally, variances between budgeted and actual amounts in the Family Opportunity Account Act fund is due to less than anticipated expenditures in both the personal services/personal benefits and contractual services expenditure categories. This is due to the relatively late implementation of this program in FY2007. Although contracts were awarded to providers to assist eligible participants in establishing individual development accounts, there was not sufficient time to enroll more participants before the end of the fiscal year.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Statement of Net Assets

A summary of the statement of net assets is displayed in the tables below, including a comparison of FY06 to FY07.

Office of Workforce Training & Development's Net Assets

Assets	FY 2006	FY 2007	Change
Cash on Deposit	\$ 1,060	1,602,445	1,601,385
Accounts Receivable	3,462,069	1,615,772	(1,846,297)
Capital assets, net of depreciation	20,688	28,505	7,817
Total assets	\$ 3,483,817	3,246,722	(237,095)

Liabilities	FY 2006	FY 2007	Change
Accounts payable & other liabilities	\$ 1,450,987	284,174	(1,166,813)
Accrued Payroll	95,963	110,821	14,858
Advance from State Treasurer	1,899,702	908,966	(990,736)
Reversions Payable to State Gen. Fund	15,417	132,508	117,091
Comp. Absences Payable	146,790	124,154	(22,636)
Total liabilities	\$ 3,608,859	1,560,623	(2,048,236)

OWTD total liabilities at year end consist primarily of accounts payable existing at the end of the State fiscal year for which payment had not been issued; an advance from the State Treasurer for disbursements related to reimbursable federal grants for which reimbursement had not been received; and the reversion of uncommitted General Fund appropriations for the purpose of establishing one-stop centers in Central and Eastern New Mexico. The accounts payable and advance from the State Treasurer liabilities are offset by the associated accounts receivable balances in both the OWTD Operating Fund and Local WIA Board Fund.

Net Assets	FY 2006	FY 2007	Change
Investment in capital assets	\$ 20,688	28,505	7,817
Net assets, unrestricted	(145,730)	1,657,594	1,803,324
Total net assets	\$ (125,042)	1,686,099	1,811,141

The increase in total net assets is primarily due to an increase in Cash On Deposit in FY2007. This increase is due to the appropriation to the Family Opportunity Account Act Fund in the amount of \$1,750,000 for the purpose of establishing Individual Development Accounts. Pursuant to the legislation that created this fund, 1978 NMSA 58.30.15, these amounts do not revert back to the State General Fund.

The changes in OWTD's total net assets between State Fiscal Year 2006 and State Fiscal Year 2007 are due to the appropriation to the FOAA fund discussed above.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

FY06-to-FY07 Revenue and Expenditure Comparison

A summary of the results of operations is displayed in the tables below, including a comparison of FY06 AND FY07.

	<u>FY06</u>	<u>FY07</u>	<u>Change</u>
<u>REVENUE</u>			
General Fund Appropriation	\$ 800,000	3,475,000	2,675,000
Federal Sources	33,109,370	21,355,779	(11,753,591)
Other Sources	5,899	84,080	78,181
	<hr/>		
Total Revenue	\$ 33,915,269	24,914,859	(9,000,410)
<u>EXPENDITURES</u>			
Personal Services and Benefits	\$ 2,193,371	2,471,858	278,487
Contractual Services	267,632	420,374	152,742
Other Costs	31,438,590	20,109,431	(11,329,159)
Other Financing Uses	15,285	132,508	117,223
	<hr/>		
Total Expenditures	\$ 33,914,878	23,134,171	(10,780,707)
Net Changes in Fund Balance	391	1,780,688	1,780,297

The net change (increase) in fund balance is a combination of the uncommitted General Fund appropriations to the OWTD for the Family Opportunity Account Act fund and to OWTD's Operating Fund for the Career Clusters Initiative and for One-Stop Career Centers. As noted earlier in this report, appropriations to the FOAA do not revert back to the General Fund, and the appropriations for Career Cluster and the East Mobile do not expire until June 30, 2008.

The General Fund increase noted above for FY2007 is due to the following appropriations to the OWTD for the following programs:

Program	General Fund Appropriation
Family Opportunity Account Act	\$1,750,000
One- Stop Career Centers	500,000
Career Cluster Initiative	400,000
East Mobile Unit	25,000
Total	\$2,675,000

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

In FY2007, the OWTD experienced a significant decline in revenue from federal sources primarily due to the loss of funding from the Temporary Assistance To Needy Families Works Program and a decline in revenue from the Workforce Investment Act grant in the Local WIA Board Fund compared to FY2006. This decline by federal program in FY2007 compared to FY2006 is reflected in the table below.

Federal Revenue Source	FY2006	FY2007	Change
Workforce Investment Act	\$ 25,145,770	20,060,015	(5,085,755)
Base Re-Alignment Commission	213,232	643,324	430,092
Disability Program Navigator	1,115,355	643,780	(471,575)
New Mexico Comprehensive Employment System	-	8,660	8,660
Temporary Assistance To Needy Families	6,635,013	-	(6,635,013)
Total	\$ 33,109,370	21,355,779	(11,753,591)

In the analysis of other costs category of expenditures, the OWTD experienced expenditure decreases in most of the expenditure line items in this category in FY2007 compared to FY2006. The largest decreases are in the supplies and materials and operating costs line items. These reductions are attributable to the loss of the TANF Works program and a reduction in expenditures reported by the local workforce development boards to the OWTD in FY2007. This correlates to the reduction in federal revenues in the WIA Local Board Fund discussed above.

Analysis of Other Costs

Expenditure Type	FY2006	FY2007	Difference
In-state Travel	96,967	89,944	(7,023)
Maintenance & Repairs	16,881	87,492	70,611
Supplies & Materials	582,958	52,939	(530,019)
Operating Costs	30,631,792	19,815,409	(10,816,383)
Other Costs	27,483	6,416	(21,067)
Out-Of-State Travel	55,606	32,379	(23,227)
Capital Outlay	26,903	24,852	(2,051)
Total Other Costs	31,438,590	20,109,431	(11,329,159)

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Financial Analysis of Fund Balance

OWTD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, providing useful information on near-term inflows, outflows, and balances of available resources (modified accrual basis). Unexpended, unencumbered State General Fund appropriation balances in Fund 981 revert to the State General fund and are recorded as such. The financial statements for fiscal year 2007 include unreserved fund balance totaling \$ 0.00.

A summary of the agency’s fund balances at the end of the current fiscal year appears below:

Office of Workforce Training & Development’s Fund Balance

	<u>FY06</u>	<u>FY07</u>	<u>Change</u>
Total assets	\$ 3,463,129	3,536,294	73,165
Total liabilities	3,462,069	1,754,546	(1,707,523)
Fund Balance Reserved	-	1,781,748	1,781,748
Fund Balance (Unreserved)	1,060	-	(1,060)

General Fund Budgetary Highlights

The New Mexico State Legislature made a number of appropriations to the to the Office of Workforce Training & Development in FY2007. The appropriation to the At-Risk Youth Program is a recurring appropriation. The appropriation for One-Stop Service Centers is a special appropriation for startup and infrastructure of one-stop service centers in the Central and Eastern local workforce development areas. The Career Clusters Initiative is a special appropriation to educate students, educators, policy makers and business leaders on the steps needed to develop a trained, highly skilled workforce. The East Mobile Unit is a capital project appropriation to purchase, install and equip a mobile workforce connection service center for the Eastern Area Workforce Development Board. Lastly, the Individual Development Accounts is a special appropriation to provide funds for the costs of administering the Family Opportunity Account Act program as well as to provide state funds to match the savings of participants.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2007**

Capital Assets

OWTD's investment in capital assets, net of accumulated depreciation, is \$ 28,505. There is no debt related to these capital assets. Additions to fixed assets totaled \$28,115 for the year. Depreciation expense for the year totaled \$ 20,298. The investment in capital assets, net of accumulated depreciation changed from \$ 20,688 to \$ 28,505 for a net increase of \$ 7,817.

Long-Term Debt

OWTD had long-term debt at June 30, 2007 for compensated absences amounting to \$124,154. These liabilities are usually not funded and often do not materialize.

Performance Measure Outcomes and Next Year's Budget

Performance measures for the Workforce Investment Act are identified in the General Appropriation Act (Laws of 2007, Chapter 28, Section 4(F)), which appropriated funding for the OWTD operating budget for State Fiscal Year 2007. The Office of Workforce Training & Development reported to the Legislature and the Governor's Office on those measures as part of its fiscal year 2008 annual appropriation request, submitted to both the Legislative Finance Committee and the State Budget Division on Sept. 1, 2007. Fiscal Year 2007 is the third and final year that the Office of Workforce Training & Development independently reported performance based-budgeting results.

The Eighty-Eighth Legislature, First Session 2007, passed House Bill 1280, Workforce Solutions Department Act, which established a single, unified department to administer all laws and perform those functions formerly performed by the Office of Workforce Training and Development and the New Mexico Department of Labor. This legislation became effective July 1, 2007, and the unified department began operations as the New Mexico Department of Workforce Solutions (NMDWS) on that date. For state budget fiscal year 2008, NMDWS has opted to record and tract the operating budget of the former OWTD in separate funds of the Agency.

Requests for Information

This financial report is designed to provide a general overview of the Office of Workforce Training & Development. If you have any questions regarding this report or need additional information, please contact Richard Montes, Chief Financial Officer, New Mexico Department of Workforce Solutions, 401 Broadway NE, Albuquerque, New Mexico 87103.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 1,602,445
Accounts receivable	1,615,772
Total current assets	<u>3,218,217</u>
Capital assets	
Capital assets	63,276
Accumulated depreciation	(34,771)
Total noncurrent assets	<u>28,505</u>
Total assets	<u>3,246,722</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	284,174
Advance from State Treasurer	908,966
Accrued payroll	110,821
Payable to State General Fund	132,508
Compensated absences	124,154
Total current liabilities	<u>1,560,623</u>
Net Assets	
Invested in capital assets	28,505
Unrestricted	1,657,594
Total net assets	<u>\$ 1,686,099</u>

The notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Program expenses	
Workforce training	\$ 22,971,210
Program revenues	
Operating grants and contributions	<u>21,355,779</u>
Net program expense	<u>(1,615,431)</u>
General revenues	
Other revenues	84,080
Transfers	
State General Fund appropriation	3,475,000
Reversion to State General Fund	<u>(132,508)</u>
Total general revenues and transfers	<u>3,426,572</u>
Changes in net assets	1,811,141
Net assets (deficit), beginning	<u>(125,042)</u>
Net assets, ending	<u><u>\$ 1,686,099</u></u>

The notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General Fund	Local WIA Board Fund	Family Opportunity Fund	Total Governmental Funds
ASSETS				
Cash	\$ 200,661	-	1,401,784	1,602,445
Federal grants receivable	587,336	860,144	-	1,447,480
Due from state agencies	29,357	44,473	-	73,830
Due from local governments	94,462	-	-	94,462
Due from other funds	-	51,211	-	51,211
Total assets	\$ 911,816	955,828	1,401,784	3,269,428
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 250,310	-	33,864	284,174
Advance from State Treasurer	-	908,966	-	908,966
Due to other funds	51,211	-	-	51,211
Payable to State General Fund	132,508	-	-	132,508
Accrued payroll	110,821	-	-	110,821
Total liabilities	544,850	908,966	33,864	1,487,680
Fund Balances				
Reserved - Program expenditures	366,966	-	-	366,966
Reserved - Individual development accounts	-	46,862	-	46,862
Reserved - Eastern Area	-	-	1,367,920	1,367,920
Total fund balances	366,966	46,862	1,367,920	1,781,748
Total liabilities and fund balances	\$ 911,816	955,828	1,401,784	3,269,428

The notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
June 30, 2007**

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

Total fund balance - governmental funds	\$ 1,781,748
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets	\$ 63,276
Accumulated depreciation	<u>(34,771)</u>

Cost of capital assets less accumulated depreciation	28,505
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences (vacation)	<u>(124,154)</u>
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Total net assets - governmental activities	<u><u>\$ 1,686,099</u></u>
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The notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ending June 30, 2007

	General Fund	Local WIA Board Fund	Family Opportunity Fund	Total
Revenues				
Federal sources	\$ 5,674,888	15,680,891	-	21,355,779
Other revenues	3,929	45,802	34,349	84,080
Total revenues	<u>5,678,817</u>	<u>15,726,693</u>	<u>34,349</u>	<u>21,439,859</u>
Expenditures				
Current				
Personal services	1,780,959	-	22,784	1,803,743
Employee benefits	660,487	-	7,628	668,115
In-state travel	89,944	-	-	89,944
Maintenance and repairs	87,492	-	-	87,492
Supplies and materials	52,939	-	-	52,939
Contractual services	34,357	-	386,017	420,374
Operating costs	4,134,518	15,680,891	-	19,815,409
Other costs	6,416	-	-	6,416
Out-of-state travel	32,379	-	-	32,379
Capital outlay	24,852	-	-	24,852
Total expenditures	<u>6,904,343</u>	<u>15,680,891</u>	<u>416,429</u>	<u>23,001,663</u>
Revenues (under) over expenditures	(1,225,526)	45,802	(382,080)	(1,561,804)
Other Financing Sources				
General Fund appropriation	1,725,000	-	1,750,000	3,475,000
Reversions to state general fund	(132,508)	-	-	(132,508)
Total financing sources	<u>1,592,492</u>	<u>-</u>	<u>1,750,000</u>	<u>3,342,492</u>
Net change in fund balances	366,966	45,802	1,367,920	1,780,688
Fund balances, beginning of year	-	1,060	-	1,060
Fund balances, ending	<u>\$ 366,966</u>	<u>46,862</u>	<u>1,367,920</u>	<u>1,781,748</u>

The notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH
THE STATEMENT OF ACTIVITIES
Year Ending June 30, 2007**

Total net change in fund balances - governmental funds \$ 1,780,688

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay	\$ 28,115	
Depreciation expense	<u>(20,298)</u>	
Net change in capital assets		7,817

Accrued compensated absences are recorded as liabilities in the long-term debt group of accounts in the governmental funds. However, for government activities, these costs are shown in the Statement of Net Assets and the changes in the liability are recorded as a reduction or increase in the current personal services category.

Change in accrued compensated absences	<u>22,636</u>
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Changes in net assets of governmental activities	<u><u>\$ 1,811,141</u></u>
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The notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
GENERAL FUND
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
State general fund appropriation	\$ 800,000	1,700,000	1,725,000	25,000
Reversions to State General Fund	-	-	(132,508)	(132,508)
Federal revenues	17,470,900	6,516,700	5,674,888	(841,812)
Other revenues	-	-	3,929	3,929
Total revenues	18,270,900	8,216,700	7,271,309	(945,391)
Expenditures				
Personnel services and benefits	2,429,000	2,663,500	2,441,445	222,055
Contractual services	220,000	385,000	212,831	172,169
Other	15,614,900	4,761,200	4,250,067	511,133
Other financing uses	7,000	7,000	-	7,000
Total expenditures	18,270,900	7,816,700	6,904,343	912,357
Excess of revenues over expenditures	\$ -	400,000	366,966	(33,034)

The notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
LOCAL WIA BOARD FUND
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Federal revenues	\$ 17,888,700	17,888,700	15,680,891	(2,207,809)
Other revenues	-	-	45,802	45,802
	<hr/>			
Total revenues	17,888,700	17,888,700	15,726,693	(2,162,007)
	<hr/>			
Expenditures				
Other	17,888,700	17,888,700	15,680,891	2,207,809
	<hr/>			
Excess (deficiency) of revenues over expenditures	\$ -	-	45,802	(45,802)
	<hr/> <hr/>			

The notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
FAMILY OPPORTUNITY FUND
Year Ended June 30, 2007**

	Original Budget	Revised Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
State general fund appropriations	\$ 1,500,000	1,750,000	1,750,000	-
Other revenues	-	-	34,349	34,349
Total revenues	1,500,000	1,750,000	1,784,349	34,349
Expenditures				
Personnel services and benefits	75,000	75,000	30,412	44,588
Contractual services	-	1,425,000	386,017	1,038,983
Other	1,425,000	-	-	-
Total expenditures	1,500,000	1,500,000	416,429	1,083,571
Excess (deficiency) of revenues over expenditures	\$ -	250,000	1,367,920	1,049,222

The notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. HISTORY, MISSION, AND ORGANIZATION

The State of New Mexico Office of Workforce Training and Development (OWTD) was created by Governor Richardson's Executive Order on January 22, 2004. Formerly consisting of the Job Training Division of the New Mexico Department of Labor, the Department was designated as the State Administrative Entity for the Federal Workforce Investment Act (WIA) and funding appropriated under the Act. Until June 30, 2004, the New Mexico Department of Labor recorded and disbursed all revenue under the WIA Program and the At-Risk Youth Program formerly administered by the Job Training Division.

The New Mexico Legislature, during its 2005 Regular Session, subsequently codified the Governor's Executive Order by passing House Bill 98, subsequently compiled as Laws 2005, Chapter 111. HB 98 created OWTD in statute and charged the agency with administering the WIA Program coordinating other job training programs in New Mexico. OWTD began financial activity as a separate agency on July 1, 2004.

The financial statements of OWTD are intended to present the financial position and changes in financial position of only that portion of the governmental activities of the State of New Mexico that is attributable to the transactions of OWTD.

Reporting Entity

A primary government is any state government or general purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. OWTD, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present, issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

Included within OWTD for this purpose are the following: All of the programs that are administered and/or controlled by OWTD have been included. OWTD is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. These standards define the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. HISTORY, MISSION, AND ORGANIZATION (CONTINUED)

Local Workforce Boards were considered for inclusion in the financial statements under these standards, however, the local Boards do not meet the criteria for inclusion in OWTD's financial statements as component units, and therefore, were not included. There were no other component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basic Financial Statements

The accounting policies of OWTD conform to accounting principles generally accepted in the United States of America as applicable to governmental entities.

The basic financial statements include both government-wide (based on OWTD as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. OWTD only has governmental activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Program revenues include operating grants from federal funding agencies.

The net cost by function is normally covered by general revenue. Historically, the previous model did not summarize or present net cost by function or activity. OWTD does not employ indirect cost allocation in the financial statements.

As to fund financial statements, emphasis is on the major funds of the governmental category. OWTD's major funds are the General Fund, the Local WIA Board Fund, and the Family Opportunity Fund. OWTD has no non-major funds.

STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how OWTD's actual experience conforms with the budget or 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 adjustments necessary to transform the fund based financial statements into the governmental columns of the government-wide presentation.

B. Basis of Presentation – Fund Accounting

The accounts of OWTD are organized 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 equity, revenues, and expenditures. 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 grouped in the financial statements into one generic fund type and two broad fund categories as follows:

Governmental Funds

Governmental funds are those through which general governmental functions of OWTD are financed. The acquisition, use and balances of OWTD's expendable financial resources and the related liabilities are accounted for through governmental fund types:

General Fund. The General Fund is the general operating fund of OWTD. The Youth at Risk portion of the General Fund is supported by a New Mexico State General Fund appropriation. The remaining portion of the General Fund is supported by federal grants. Excess revenues not related to federal grants revert to the New Mexico State General Fund at year-end. This fund is used to account for all financial resources except those required to be accounted for in another fund.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Local WIA Board Fund. This special revenue fund is used to account for federal flow-through funds from the United States Department of Labor in accordance with the provisions of the Workforce Investment Act of 1998. The fund is non-reverting.

Family Opportunity Fund. This special revenue fund is used to account for the appropriations from the State General Fund in accordance with the provisions of the Family Opportunity Act. The fund is non-reverting.

Measurement Focus. The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As permitted under GAAP, OWTD applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Governmental fund 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 available and measurable. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OWTD considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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 due.

Basis of Accounting. Basis of accounting refers to the point at which revenues, expenditures, transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are presented on an accrual basis of accounting. The Governmental Funds in the fund financial statements are presented on a modified accrual basis.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement 33, the provider should recognized liabilities and expenses and the recipient should recognized receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenues by the recipient.

Budgets and Budgetary Accounting. OWTD prepares and submits an annual budget for all funds to Department of Finance and Administration (DFA) for approval. This budget must be submitted by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is approved by Legislature. Subsequent amendments affecting a category must be approved by the Director of the State Budget Division of DFA and by the Legislative Finance Committee. Throughout the year, the budget is amended, and approved by OWTD and by DFA. Budget amounts presented in the financial statements include all amendments by DFA through June 30, 2007. 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.

Budgets are controlled at the “appropriation unit” level as presented in the accompanying budget and actual statements. Budget appropriations lapse at the end of the fiscal year. The OWTD was in compliance with the budgetary requirements in 2007.

Receivables. No allowance for doubtful accounts has been recorded as management believes that all amounts are collectible.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets. Property, plant and equipment assets purchased or acquired at a value of \$5,000 or greater are capitalized. Though immaterial, capital assets capitalized include computers and the computer software license rights purchased. All capital assets are valued at historical cost or estimated historical cost if actual history is not available. Donated assets, or those contributed by other governmental entities, are valued at their estimated fair market value on the date donated. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over estimated useful lives with no salvage value. OWTD estimates the useful lives of capital assets as follows:

Building and structures	10 years
Furniture and fixtures	7 years
Machinery and equipment	3-5 years

Accrued Compensated Absences. Qualified employees are entitled to accumulate annual leave at various rates depending upon their length of service. A maximum of thirty (30) working days of such accumulated annual leave may be carried forward into the beginning of a 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.

Qualified employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period, no matter the length of service. There is no limit to the amount of sick leave that an employee may accumulate.

Sick leave is not paid when employees terminate or retire, except in two instances. The 1983 State Legislature approved, and the New Mexico State Personnel Board Rules permit, payment at (50%) of an employee's hourly wage of accrued sick leave in excess of 600 hours as follows: (1) once a year for current employees (an employee cannot be paid twice within the same year), for a maximum of 120 hours and (2) to retiring employees, for a maximum of 400 hours.

OWTD recognized the liabilities for compensated absences meeting the requirements of accrual as of year end. The compensated absences payable has been valued using current pay levels. All compensated absences are considered to be paid out of subsequent year resources.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets. Unrestricted assets represent unrestricted liquid assets. OWTD allocates expenses to restricted or unrestricted resources based on the budgeted source of funds, which generally means restricted resources have been spent first.

Deferred Revenue. Amounts received prior to the time they are considered available to pay current liabilities are recorded as deferred revenue and recognized as revenue using the modified accrual basis of accounting. OWTD had no deferred revenue as of June 30, 2007.

Use of Estimates. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. CASH

OWTD's cash deposits are governed by Chapter 6, Article 10, NMSA 1978, annotated. Cash amounting to \$1,568,806 is on deposit with the New Mexico State Treasurer. It is the State Treasurer's responsibility to monitor that all accounts held are properly collateralized. It is not practical to determine the investment risk, collateral or insurance coverage for OWTD's share of these pooled deposits. Information about the deposits are included in the State Treasurer's audited financial statements.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 3. CASH (CONTINUED)

The following is a summary of the cash balances of OWTD on deposit with the New Mexico State Treasurer.

	Treasurer Balance	Outstanding Warrants	OWTD Balance
General Fund			
Operating Account (CAS Fund 981)	\$ 1,075,988	(875,327)	200,661
Special Revenue Fund			
Local WIA Board Fund (CAS Fund 984)	(908,966)	-	(908,966)
Family Opportunity Fund (CAS Fund 518)	1,401,784	-	1,401,784
Total cash on deposit with New Mexico State Treasurer	<u>\$ 1,568,806</u>	<u>(875,327)</u>	<u>693,479</u>

The cash advance from the State Treasurer in the Local WIA Board Fund at year-end is due to receivables related to federal awards not being collected until subsequent to year-end, whereas, the related expenditures were already paid for. This cash advance is recorded as a liability in the accompanying financial statements.

NOTE 4. INTERFUND BALNCES

Interfund balances at June 30, 2007 consisted of the following amounts:

Due to Local WIA Board from General Fund	\$51,211
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This amount is related to expenditures that were paid by the Local WIA Board Fund that are for General Fund activities. These activities are similar in nature and are eligible to be expensed by either fund.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 5. CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2007 is as follows:

	Balance 7/1/06	Additions	Deletions	Balance 6/30/07
Governmental Activities				
Furniture and equipment	\$ 35,161	28,115	-	63,276
Accumulated depreciation	<u>14,473</u>	<u>20,298</u>	-	<u>34,771</u>
Capital assets, net	<u>\$ 20,688</u>	<u>7,817</u>	-	<u>28,505</u>

OWTD does not have any debt related to capital assets as of June 30, 2007. Depreciation expense for the agency amount to \$20,298 and is all related to workforce training.

NOTE 6. COMPENSATED ABSENCES

Compensated absences activity for the year ended June 30, 2007 is as follows:

	Balance 7/1/06	Additions	Deletions	Balance 6/30/07
Compensated Absences	<u>\$ 146,790</u>	<u>82,865</u>	<u>105,501</u>	<u>124,154</u>

Management estimates that compensated absences are due within one year. Most of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

The OWTD's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 6. COMPENSATED ABSENCES (CONTINUED)

Qualified employees accumulate maximum annual leave as follows:

Years of Service	Hours Earned Per Pay Period	Days of Maximum Accrual
Up to 3 years	3.08	30
Over 3 – 7 years	3.69	30
Over 7 – 11 years	4.61	30
Over 11 – 15 years	5.54	30
Over 15 years	6.15	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar 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 the above maximums.

Accrued Sick Leave. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours, on July 1 and January 1 of each year. However, the sick leave will be paid at 50% of the employee’s regular hourly wage.

At retirement, employees may receive 50% payment for up to 400 hours for the hours over 600 of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2007, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

NOTE 7. STATE GENERAL FUND REVERSIONS

The table below summarizes the current year reversion amount along with the balance due to the State General Fund at year end.

	Reversion	Balance Due
Budget fiscal year 2006	\$ 15,417	15,417
Budget fiscal year 2007	117,091	117,091
Total	\$ 132,508	132,508

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 8. RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. OWTD is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the OWTD are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the Legislature. The OWTD's contributions to PERA for the fiscal years ending June 30, 2007, 2006 and 2005 were \$291,927, \$264,930, and \$193,405, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. POST-EMPLOYMENT BENEFITS

Plan Description. OWTD 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.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 9. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 the 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 post-employment 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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

OWTD's contributions to the RHCA for the years ended June 30, 2007, 2006 and 2005 were \$22,218, \$20,693 and \$13,810, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 10. INSURANCE COVERAGE

Risk Management – OWTD 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 agency carries insurance (workers’ compensation, unemployment compensation, employee liability, and transportation property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

OWTD obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers’ compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of OWTD are covered by a blanket fidelity bond with a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico. No settlements have exceeded coverage since inception.

NOTE 11. OPERATING LEASE AGREEMENTS

In 2001, The New Mexico Department of Labor entered into a building lease agreement to provide office space for the OWTD, which OWTD assumed as of July 1, 2004. OWTD is no longer obligated under these leases due to the combination of these two agencies on July 1, 2007, as described in Note 12.

Rent expense under this building lease totaled \$172,654 for the year ended June 30, 2007.

NOTE 12. ACTIVITIES WITH OTHER STATE AGENCIES

Receivable due from other State Agencies are as follows:

Department of Finance and Administration – Laws 2007, Ch 42, SB287	\$ 25,000
State Treasurer’s Office – FY07 interest	<u>48,830</u>
Total	<u>\$ 73,830</u>

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING & DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 12. ACTIVITIES WITH OTHER STATE AGENCIES (CONTINUED)

Transfers to and from other state agencies for the year ended June 30, 2007 are as follows. These transfers are routine in nature and are consistent with the activities of the fund making the transfer. The only transfers relate to the State General Fund appropriation and related reversion.

Transfers From Other State Agencies			Transfers To Other State Agencies		
Fund Name	CAS Fund No.	Amount	Fund Name	CAS Fund No.	Amount
State General Fund	853	\$1,856,903	OWTD General Fund	981	\$1,856,903
State General Fund	853	1,750,000	Family Opportunity Fund	518	1,750,000
OWTD General Fund	981	132,508	State General Fund	853	132,508

NOTE 13. FUND BALANCE RESERVES

The reserve in fund balance in the General fund is related to investment income on federal awards and therefore, must be used for expenditures related to the work incentives grant.

The reserve in fund balance in the Local WIA Board fund is related to funds reserved to purchase a vehicle related to the mobile WIA program.

The reserve in fund balance in the Family Opportunity fund is related to the individual development accounts and must be used for that purpose only.

NOTE 14. SUBSEQUENT EVENT

Effective July 1, 2007, OWTD and the New Mexico Department of Labor were combined to create the New Mexico Department of Workforce Solutions.

OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Federal Grantor/Program Title	Federal CFDA No.	2007 Federal Expenditures
US Department of Labor		
Direct Grants		
WIA Cluster of Programs		
WIA Adult Program	17.258	\$ 8,435,681
WIA Youth Activities	17.259	5,107,282
WIA Dislocated Workers	17.260	<u>7,027,868</u>
Total WIA Cluster		20,570,831
Work Incentives Grant	17.266	643,780
 U. S. Department of Health and Human Services		
NM Comp Employment System	93.768	<u>8,660</u>
Total federal expenditures		<u><u>\$ 41,794,102</u></u>

Of the federal expenditures presented in the schedule,
OWTD provided federal awards to subrecipients as follows:

WIA Cluster of Programs	17.258/17.259/17.260	\$ 20,570,831
Work Incentives Grant	17.266	<u>643,780</u>
		<u><u>\$ 21,214,611</u></u>

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the federal financial assistance programs of the Office of Workforce Training and Development (OWTD). OWTD's reporting entity is defined in Note 1 to OWTD's financial statements.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to OWTD's financial statements.

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

**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***

Members of the State Workforce Development Board
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund, including the budgetary comparisons of the State of New Mexico Office of Workforce Training and Development (OWTD), as of and for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the financial statements disclosed that the financials include only the activities of OWTD, an agency of the State of New Mexico.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OWTD'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OWTD's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described as 07-1 and 07-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Members of the State Workforce Development Board
and
Mr. Hector Balderas
New Mexico State Auditor

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OWTD'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 07-4 and 07-5.

OWTD's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit OWTD's response and, accordingly, we express no opinion on it.

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

Ricci & Company LLC

Albuquerque, New Mexico
October 24, 2008

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133

Members of the State Workforce Development Board and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico Office of Workforce Training and Development (OWTD) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. OWTD's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of OWTD's management. Our responsibility is to express an opinion on OWTD's compliance based on our audit.

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

As described in item 05-3 in the accompanying schedule of findings and questioned costs, OWTD did not comply with requirements regarding subrecipient monitoring that are applicable to its WIA Cluster Grants. Compliance with such requirements is necessary, in our opinion, for OWTD to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, OWTD complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 07-3.

Members of the State Workforce Development Board and
Mr. Hector Balderas
New Mexico State Auditor

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

OWTD's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit OWTD's response and, accordingly, we express no opinion on it.

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

Ricci & Company LLC

Albuquerque, New Mexico
October 24, 2008

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2007**

05-3	Subrecipient Monitoring	Updated and Included
06-1	Subrecipient Monitoring	Resolved
06-2	Cash Management	Resolved
06-3	Cash Management	Resolved

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? Yes None Reported

Non-compliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es) Yes None Reported

Type of auditors' report issued on compliance for Major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?

Yes No

Identification of Major Programs Tested

#17.258/17.259/17.260 WIA Cluster
#17.266 Work Incentives Grant

Dollar threshold used to distinguish between Type A and Type B programs

\$ 636,438

Auditee qualified as low-risk auditee?

Yes No

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

07-1 Financial Statement Preparation – SAS 112

CRITERIA

Per SAS 112, the auditor must determine whether the client has sufficient accounting competence and knowledge to detect or prevent a misstatement or mistake over financial reporting. The client should possess the ability to perform accounting transactions such as recording investment activity, maintaining a fixed asset listing, and preparing financial statements.

CONDITION

Due to the timing of the June 30, 2007 audit and the amount of time needed to prepare reconciling schedules, we are not confident in the controls in place to perform accounting transactions and prepare financial statements.

CAUSE

Due to turnover at OWTD, internal controls surrounding the financial reporting process have not been as effective in the current year as they have in the past.

EFFECT

The lack of controls over accounting transactions and preparing financial statements was significant in the June 30, 2007 audit of OWTD not being completed in a time frame consistent with the New Mexico State Auditor's Rule.

RECOMMENDATION

We recommend that OWTD reinstate internal controls surrounding the financial reporting process.

MANAGEMENT RESPONSE

The New Mexico Department of Workforce Solutions agrees with this finding. The Eighty-Eighth Legislature, First Session 2007, passed House Bill 1280, Workforce Solutions Department Act, which established a single, unified department to administer all laws and perform those functions formerly performed by the Office of Workforce Training and Development and the New Mexico Department of Labor.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

07-1 Financial Statement Preparation – SAS 112 (Continued)

MANAGEMENT RESPONSE (CONTINUED)

Following this reorganization, the Administrative Services Division has undertaken the following actions to correct this situation.

1. The Department's fiscal unit has been reorganized to flatten the reporting hierarchy and streamline its operations with clear roles and responsibilities assigned to each of its components. It aligns itself along the system requirements of the State of New Mexico's Statewide Human Resource, Accounting and Reporting (SHARE) System.
2. The Administrative Services Division (ASD) has hired key personnel over the past 12 months in the following fiscal units; Unemployment Insurance Treasury, Workforce Investment Act Fiscal, Budget, and Financial Accounting and Reporting. ASD is actively filling those vacancies critical to its operations.
3. ASD is developing and implementing written policies and procedures to assist staff with ensuring that financial processes are performed with regularity. ASD has developed the following four new Division internal policies: 1) Federal Cash Drawdown Policy; 2) Unemployment Insurance Tax Deposit Policies and Procedures; 3) Reporting Accruals and Unliquidated Obligations on Federal Quarterly Reports; and 4) Financial Status Report Certification Personal Identification Number Policy. ASD will continue to develop policies and procedures on an on-going basis.
4. The Department's fiscal unit has assessed the resource requirements it needs in order to return to full compliance in recording, reconciling and reporting financial transactions timely.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

07-2 Due Date of Audit Report - Significant Deficiency

CRITERIA

According to the State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by December 15 following the fiscal year-end, thus requiring the June 30, 2007 report to be filed by December 15, 2007.

CONDITION

The June 30, 2007 audit report was not filed timely as required by the State Auditor Rule NMAC 2.2.2.9.A.

CAUSE

Upon the creation of the New Mexico Department of Workforce Solutions, key individuals from OWTD staff were not available to perform year end reconciliations necessary to perform audit work.

EFFECT

The users of the financial statements do not have timely audit reports and financial statements for their review. Further, OWTD is in violation of the State Auditor Rule NMAC 2.2.2.9.A.

RECOMMENDATION

OWTD should continue its efforts to deliver a timely audit report and inform all potential users of the report as soon as they know OWTD will be late in meeting a reporting requirement.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

07-2 Due Date of Audit Report - Significant Deficiency (Continued)

MANAGEMENT RESPONSE

The New Mexico Department of Workforce Solutions agrees with this finding. As mentioned previously, the Eighty-Eighth Legislature, First Session 2007, passed House Bill 1280, Workforce Solutions Department Act, which established a single, unified department to administer all laws and perform those functions formerly performed by the Office of Workforce Training and Development and the New Mexico Department of Labor. As a result of the merger of the two agencies, ASD was responsible for completion of two complex audits. The Division's fiscal staff has become more knowledgeable and proficient in working with the statewide accounting system and is continuing to develop its knowledge of the federal programs the Department administers.

The Department's fiscal unit has been reorganized to flatten the reporting hierarchy and streamline its operation with clear roles and responsibilities assigned to each of its components. ASD has hired key personnel over the past 12 months in the following fiscal units; Unemployment Insurance Treasury, Workforce Investment Act Fiscal, Budget, and Financial Accounting and Reporting. ASD is actively filling those vacancies critical to its operations. The Department will work to ensure audit reports are provided by the required due date.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

C. FINDINGS – FEDERAL MAJOR AWARD PROGRAMS

05-3 Subrecipient Monitoring – Material Weakness

WIA Cluster Grants

Federal Agency: U.S. Department of Labor

CFDA 17.258, 17.259, 17.260

Award numbers: AA12026-02-50, AA1814-04-50, AA14691-05-55

Award years: PY 03/FY 04, PY 04/FY 04, PY 05/FY 06, PY 06/FY 07

CRITERIA

OMB Circular A-133 §400(d)(4) requires that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of the OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

CONDITION

Two of the four grant subrecipients selected for testing have not submitted and are not current on submitting their audit reports to OWTD. One of the subrecipients has not submitted an audit report since 2003, and the other subrecipient since 2002.

QUESTIONED COSTS

None.

CAUSE

The subrecipient has been uncooperative in submitting their audit report to OWTD.

EFFECT

OWTD is not in compliance with the subrecipient monitoring requirements of OMB Circular A-133.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

C. FINDINGS – FEDERAL MAJOR AWARD PROGRAMS (CONTINUED)

05-3 Subrecipient Monitoring – Material Weakness (Continued)

RECOMMENDATION

We recommend that OWTD follow up with the subrecipient on the audit reports, up to and including discontinuing future funding.

MANAGEMENT RESPONSE

NMDWS agrees with this finding. The Northern Board has submitted audits to DWS for Fiscal Years 2004, 2005 and 2006. Copies are housed in the WIS fiscal unit and Workforce Grants Auditing Bureau. The Northern Board has contracted with an auditor to begin audit for FY 2007. This work is to begin in October/November 2008. Following completion of the FY 2007 audit, the FY 2008 audit will begin.

The Eastern Board has submitted audits to DWS for Fiscal Years 2004, 2005 and 2006. Copies are housed in the WIA fiscal unit and Workforce Grants Auditing Bureau. The Eastern Board has contracted with an auditor to begin audit for FY 2007. This work is expected to begin October 2008. Following completion of the FY 2007 audit, the FY 2008 audit will begin.

NMDWS will continue to work with the local boards and provide oversight and technical assistance to ensure audits are completed and submitted timely. The Workforce Grants Auditing Bureau will continue to monitor, identify and address corrective actions as appropriate.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

C. FINDINGS – FEDERAL MAJOR AWARD PROGRAMS (CONTINUED)

07-3 Annual Audit Report

WIA Cluster Grants

Federal Agency: U.S. Department of Labor
CFDA 17.258, 17.259, 17.260
Award numbers: AA12026-02-50, AA1814-04-50, AA14691-05-55
Award years: PY 03/FY 04, PY 04/FY 04, PY 05/FY 06, PY 06/FY 07

Work Incentives Grant

Federal Agency: U.S. Department of Labor
CFDA 17.266
Award number: WI14183-04-60
Award year: 7/1/05 – 7/1/07

CRITERIA

OMB Circular A-133 requires the audit to be completed within nine months of year end.

CONDITION

The audit for OWTD for the year ended June 30, 2007 was not completed until October 2008.

QUESTIONED COSTS

None.

CAUSE

Turnover at OWTD lead to delays in the audit process.

EFFECT

OWTD is not in compliance with federal requirements.

RECOMMENDATION

We recommend that OWTD implement procedures to help facilitate the audit process.

MANAGEMENT RESPONSE

The Department agrees with this finding. The Department will work to ensure that the audit is submitted timely in accordance with OMB Circular A-133.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

D. FINDING – COMPLIANCE & OTHER MATTERS

07-4 Equipment and Real Property Management

CRITERIA

Per the New Mexico State Auditor Rule, §12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of moveable 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.

CONDITION

OWTD performed a physical inventory of equipment in September 2006, several months prior to the fiscal year end.

CAUSE

OWTD personnel were unaware that the physical inventory should be completed at or near the fiscal year end.

EFFECT

The correctness of the inventory list could not be verified at year end.

RECOMMENDATION

We recommend that OWTD perform a physical inventory on or near June 30 of each year.

MANAGEMENT RESPONSE

The Department agrees with this finding. It is NMDWS' practice to conduct a physical inventory on an annual basis in June. For example, in fiscal year 2007, the NMDWS (formerly the New Mexico Department of Labor) conducted its annual inventory in June 2007. NMDWS will update it's written policy regarding physical inventory requirements and timing.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

D. FINDING – COMPLIANCE & OTHER MATTERS (CONTINUED)

07-5 Reversions

CRITERIA

Section 6-5-10, NMSA 1978, requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30, be reverted by September 30 to the general fund." The 2007 New Mexico State Auditor Rule 2.2.2.12(A)(6)(b) requires a finding should an agency not be in compliance with this requirement.

CONDITION

Total reversions of \$132,508, as reflected in the central accounting system, that is due to the State General Fund from OWTD's general fund related to fiscal years 2007 and 2006 were not reverted by September 30, 2007.

CAUSE

OWTD personnel were unaware that the reversion amounts were required to be reverted by September 30th.

EFFECT

OWTD is not in compliance with 6-5-10, NMSA 1978.

RECOMMENDATION

We recommend that OWTD implement controls to ensure all required reversions are reverted in a timely manner, but no later than September 30th following the fiscal year end.

MANAGEMENT RESPONSE

The Department agrees with this finding. The Department will initiate action to revert the FY2006 and FY2007 amounts promptly and will comply with this requirement in the future. For FY2008, the Department did revert General Fund amounts by September 30, 2008.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
SCHEDULE OF JOINT POWER AGREEMENT
June 30, 2007**

Office of Workforce Training and Development - Joint Powers Agreements

Participants

The State of New Mexico's Human Services Department (HSD) and the New Mexico Office of Workforce Training and Development (OWTD).

Party Responsible For Operations

The New Mexico Office of Workforce Training and Development

Description

This Joint Powers Agreement (JPA) tasked the OWTD with implementing the New Mexico Comprehensive Employment System "Focusing On Abilities" strategic plan. The goal of this plan is to promote the recruitment, training and hiring of people with disabilities in the private, non-profit and government sectors. Also, to identify barriers to their employment and recommend measures to overcome them.

Term of the JPA

March 9, 2007 to December 31, 2010

Compensation

Total amount of the project for fiscal year 2007 is \$1,216,876

Of this amount, OWTD was awarded \$170,000 in fiscal year 2007

Audit Responsibility

Each agency (HSD and DWS) is responsible for the maintaining their own fiscal records and making them available to their auditors.

Fiscal Agent

None

Government Agency Responsible for Revenues and Expenditures

HSD is responsible for reporting the revenues and expenditures to the Centers for Medicare and Medicaid Services.

**STATE OF NEW MEXICO
OFFICE OF WORKFORCE TRAINING AND DEVELOPMENT
EXIT CONFERENCE
For the Year Ended June 30, 2007**

Exit Conference

An exit conference was held on October 24, 2008 to discuss the annual financial report. Attending were the following:

Representing the Office of Workforce Training and Development:

Betty Sparrow Doris	Secretary, New Mexico Department of Workforce Solutions
Teresa Gomez	Deputy Secretary
Lloyd Garley	Administrative Services Division Director
Richard Montes	Chief Financial Officer
Jason Lewis	General Counsel
Lois M. Johnson	Workforce Transition Services Director
Susan Aragon	WIA Fiscal
Authur Martinez	Economic Research and Analysis Bureau Chief

Representing the Independent Auditor:

Sandra K. Ricci, Principal, CPA
Herman Chavez, CPA

Note: Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor.