



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF  
GOVERNMENTS**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2008**

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

<b>Official Roster</b>	1
<b>Independent Auditors' Report</b>	2-3
<b>Financial Section</b>	
Government Wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
General Fund - Major Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Modified Accrual Basis)	8
Special Revenue Fund - Major Fund - HUD Funds	
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (Modified Accrual Basis)	9
Statement of Net Assets - Proprietary Funds	10
Statement of Revenue, Expenditures and Changes in Fund Net Assets - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Assets and Liabilities - Agency Funds	13
<b>Notes to Financials</b>	14-26
<b>Other Supplementary Information:</b>	
Schedule of Expenditures of Federal Awards	27
Schedule of Changes in Assets and Liabilities - Agency Funds	28
<b>Compliance</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Report on Compliance with Requirements that Could Have a Direct and Effect on Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	31-33
<b>Schedule of Findings and Questioned Costs</b>	34-65
<b>Exit Conference</b>	66

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

<u>Directors</u>	<u>Position</u>	<u>Government Represented</u>
<b>EXECUTIVE COMMITTEE</b>		
Jerry Moore	Chairman	City of Clayton
Mary Mayfield	Chairman	City of Tucumcari
Gary Watkins	Vice-Chair	City of Portales
Ann Clark	Treasurer	Village of Causey
Cathy Haynes	Member	City of Clovis
Joe Jack Culbertson	Member	Harding County
Leandro Abeyta	Member	Town of Vaughn
<b>CURRY COUNTY</b>		
Kathryn Tate	Member	Curry County
Cathy Haynes	Member	City of Clovis
Wesley Shafer	Member	Village of Grady
Lewis Cooper	Member	Town of Texico
Darrel Bostwick	Member	Village of Melrose
<b>DE BACA COUNTY</b>		
Powhatan Carter	Member	De Baca County
Kathy West Sumner	Member	Village of Fort Sumner
<b>GUADALUPE COUNTY</b>		
Andy Madrid	Member	Guadalupe County
Tim Dodge	Member	City of Santa Rosa
Leandro Abeyta	Member	Town of Vaughn
<b>HARDING COUNTY</b>		
Joe Jack Culbertson	Member	Harding County
Deborah Pfauntsch	Member	Village of Mosquero
Lillian Laumbach	Member	Village of Roy
<b>QUAY COUNTY</b>		
Grace Madrid	Member	Quay County
Bobbye Rose	Member	Village of San Jon
Bill Holman	Member	Village of Logan
Mary Mayfield	Member	City of Tucumcari
<b>ROOSEVELT COUNTY</b>		
Gary Watkins	Member	City of Portales
Ann Clark	Member	Village of Causey
Gerald Lee	Member	Village of Elide
Becky Frazee	Member	Village of Dora
<b>UNION COUNTY</b>		
Richard Argüelles	Member	Union County
Jerry Moore	Member	City of Clayton
Shirley Brooks	Member	Village of Des Moines
Mignon Sedaris	Member	Village of Grenville
Bill Brown	Member	Village of Folsom
Nick Brady	Executive Director	



---

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Eastern Plains Council of Governments  
Clovis, New Mexico  
and Mr. Hector Balderas, State Auditor

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund of the Eastern Plains Council of Governments (EPCOG) as of and for the year ended June 30, 2008, which collectively comprise the EPCOG's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of the EPCOG's fiduciary fund presented as supplementary information as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the EPCOG's management. Our responsibility is to express opinions on these financial statements based on our audit.

The EPCOG's Management has not designed, implemented or monitored the policies and procedures needed to capture, record and present revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. The severity and pervasiveness of the material weaknesses in the EPCOG's system of internal control over financial reporting has caused significant doubt that all possible material misstatements could be detected by our audit procedures. Furthermore, evidence supporting historical costs of capital assets maintained by the EPCOG was not available. We were not able to verify either accumulated depreciation at July 1, 2007 or the depreciation expense for the fiscal year ended June 30, 2008. The EPCOG's records do not permit the application of other auditing procedures to its revenues, expenditures, contracts, grants, other agreements, budgetary information accumulated depreciation, and depreciation expense accounts.

Because we were unable to obtain adequate supporting documentation for the EPCOG's revenues, expenditures, contracts, grants, other agreements, budgetary information, capital assets, accumulated depreciation and depreciation the magnitude of possible misstatement of the financial statements that could remain undetected was so great and the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the major special revenue fund, and the aggregate remaining fund information as of and for the year ended June 30, 2008, as listed in the table of contents.

As described in Note 1 to the financial statements, the EPCOG implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2012 on our consideration of the EPCOG's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The EPCOG has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

We were engaged to conduct an audit for the purpose of forming opinions of the EPCOG's basic financial statements. The accompanying schedule of expenditures of federal awards and the schedule of changes in assets and liabilities-agency funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, and the schedule of changes in assets and liabilities-agency funds, is required by the State of New Mexico's state auditor's rule. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion regarding whether schedules of changes in assets and liabilities-agency funds or the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements.



Hinkle + Landers, PC  
June 15, 2012

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO COUNCIL OF GOVERNMENTS  
STATEMENT OF NET ASSETS  
(GOVERNMENT-WIDE)  
As of June 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 206,202	113,454	319,656
Grants receivable	254,602	(15,937)	238,665
Prepaid expenses	56,697	(7,474)	49,223
Escrow	45,383	-	45,383
Deferred finance costs, net	30,966	-	30,966
Other assets	53,868	-	53,868
Interfund receivables	-	3,290	3,290
Total current assets	<u>647,718</u>	<u>93,333</u>	<u>741,051</u>
<b>Noncurrent</b>			
Capital assets, net	<u>3,118,646</u>	<u>331,272</u>	<u>3,449,918</u>
Total assets	<u>\$ 3,766,364</u>	<u>424,605</u>	<u>4,190,969</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank overdraft	\$ 118,223	-	118,223
Accounts payable	13,690	(1,445)	12,245
Accrued payroll liabilities	(10,236)	(7,405)	(17,641)
Deferred revenue	153,196	2,273	155,469
Accrued development fees	180,837	-	180,837
Accrued interest	102,925	-	102,925
Other liabilities	50,183	6,951	57,134
Interfund payables	104,663	-	104,663
Total current liabilities	<u>713,481</u>	<u>374</u>	<u>713,855</u>
<b>Noncurrent</b>			
Note payable	2,433,849	(21,985)	2,411,864
Compensated absences expected to be paid after one year	(5,226)	-	(5,226)
Total noncurrent liabilities	<u>2,428,623</u>	<u>(21,985)</u>	<u>2,406,638</u>
Total liabilities	<u>3,142,104</u>	<u>(21,611)</u>	<u>3,120,493</u>
<b>NET ASSETS</b>			
Invested in capital assets	3,118,646	353,257	3,471,903
Unrestricted net assets	<u>(2,494,386)</u>	<u>92,959</u>	<u>(2,401,427)</u>
Total net assets	624,260	446,216	1,070,476
Total liabilities and net assets	<u>\$ 3,766,364</u>	<u>424,605</u>	<u>4,190,969</u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
(GOVERNMENT-WIDE)  
For The Year Ended June 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Program Operating Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</b>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 2,245,862	-	1,676,638	(569,224)
General revenues:				
Grant and contributions not restricted				185,350
Total general revenues				<u>185,350</u>
Change in net assets				(383,874)
Net assets, beginning of year				942,799
Irreconcilable difference				65,335
Net assets, end of year				\$ <u><u>624,260</u></u>
 <b>Business-type activities:</b>				
Enterprise	\$ 112,998	29,722	(5,864)	(89,140)
General revenues:				
Grant and contributions not restricted				49,230
Investment income				82
Total general revenues				<u>49,312</u>
Changes in net assets				(39,828)
Net assets, beginning of year				488,078
Irreconcilable difference				(2,034)
Net assets, end of year				\$ <u><u>446,216</u></u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2008**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund HUD Funds</u>	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 206,202	-	206,202
Grants receivable	128,607	125,995	254,602
Prepaid expenses	57,980	(1,283)	56,697
Escrow	-	45,383	45,383
Deferred finance cost, net	-	30,966	30,966
Other assets	53,868	-	53,868
Total assets	<u>\$ 446,657</u>	<u>201,061</u>	<u>647,718</u>
<b>LIABILITIES:</b>			
Bank overdraft	\$ -	118,223	118,223
Accounts payable	16,256	(2,566)	13,690
Accrued payroll liabilities	(9,849)	(387)	(10,236)
Deferred revenue	153,127	69	153,196
Accrued development fee	-	180,837	180,837
Accrued interest	-	102,925	102,925
Other liabilities	41,884	8,299	50,183
Interfund payables	88,895	15,768	104,663
Total liabilities	<u>290,313</u>	<u>423,168</u>	<u>713,481</u>
<b>FUND BALANCE:</b>			
Assigned	156,344	-	156,344
Unassigned	-	(222,107)	(222,107)
Total fund balance	<u>156,344</u>	<u>(222,107)</u>	<u>(65,763)</u>
Total liabilities and fund balance	<u>\$ 446,657</u>	<u>201,061</u>	<u>647,718</u>

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

Accrued compensated absences	5,226
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the balance sheet	3,118,646
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not reported in the funds	(2,433,849)

Statement of net assets of governmental funds

624,260

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2008**

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
		HUD Funds	
<b>Revenues:</b>			
Federal	\$ 74,546	-	74,546
State	1,464,903	13,252	1,478,155
Interest income	1,728	422	2,150
Rental income	48,910	59,702	108,612
Tenant assistance	68,608	55,329	123,937
Miscellaneous income	16,923	16,567	33,490
Membership Dues	41,098	-	41,098
Total revenues	1,716,716	145,272	1,861,988
<b>Expenditures:</b>			
Current:			
General government	1,962,924	194,185	2,157,109
Capital outlay	38,973	-	38,973
Total expenditures	2,001,897	194,185	2,196,082
Excess (deficiency) of revenues over expenditures	(285,181)	(48,913)	(334,094)
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(285,181)	(48,913)	(334,094)
Fund balance, beginning of year	339,474	(227,821)	111,653
Irreconcilable difference	102,051	54,627	156,678
Fund balance, end of year	\$ 156,344	(222,107)	(65,763)

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

Net change in fund balances - total governmental funds (334,094)

Amounts reported to governmental activities in the statement of activities are difference because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense, in the current period. These amounts are:

Depreciation expense	(49,780)
Net effect of changes in accrued compensated absences	-
	(49,780)
Change in net assets of governmental activities	(383,874)

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
GENERAL FUND - MAJOR FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)  
For The Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Grants and contracts	\$ 1,499,164	1,499,164	1,716,716	217,552
Total revenues	<u>1,499,164</u>	<u>1,499,164</u>	<u>1,716,716</u>	<u>217,552</u>
<b>Expenditures:</b>				
General governmental	1,499,164	1,499,164	2,001,897	(502,733)
Total expenditures	<u>1,499,164</u>	<u>1,499,164</u>	<u>2,001,897</u>	<u>(502,733)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(285,181)</u>	<u>(285,181)</u>
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(285,181)</u>	<u>(285,181)</u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SPECIAL REVENUE FUNDS - MAJOR FUND  
HUD**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL (MODIFIED ACCRUAL BASIS)  
For The Year Ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Grants and contracts	\$ 104,165	104,165	145,272	41,107
Total revenues	104,165	104,165	145,272	41,107
<b>Expenditures:</b>				
General governmental	104,165	104,165	194,185	(90,020)
Excess (deficiency) of revenues over expenditures	-	-	(48,913)	(48,913)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	\$ -	-	(48,913)	(48,913)

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
As of June 30, 2008**

	<u>Enterprise Fund</u>
<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 113,454
Grants receivable	(15,937)
Prepaid expenses	(7,474)
Interfund receivables	<u>3,290</u>
Total current assets	<u>93,333</u>
 <b>Noncurrent Assets</b>	
Capital assets, net	<u>331,272</u>
Total assets	<u>\$ 424,605</u>
 <b>LIABILITIES:</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ (1,445)
Accrued payroll liabilities	(7,405)
Deferred revenue	2,273
Other liabilities	<u>6,951</u>
Total noncurrent liabilities	<u>374</u>
 <b>Noncurrent Liabilities</b>	
Notes payable	<u>(21,985)</u>
Total liabilities	<u>(21,611)</u>
 <b>NET ASSETS:</b>	
Invested in capital, net of debt	353,257
Unrestricted	<u>92,959</u>
Total fund balance	<u>446,216</u>
Total liabilities and fund balance	<u>\$ 424,605</u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - PROPRIETARY FUNDS  
For The Year Ended June 30, 2008**

	<b>Enterprise Funds</b>
<b>Operating Revenues:</b>	
Tenant rent	\$ 9,902
Property management income	19,820
Federal tenant assistance	40,386
State grants	(46,250)
Membership dues	283
Investment income	82
Other income	48,947
Total operating revenues	<u>73,170</u>
<b>Operating Expenses:</b>	
Personnel services and benefits	41,299
Insurance	3,152
Travel	852
Rent	1,224
Interest expense	124
Utilities	4,843
Auto	1,218
Supplies and repairs	25,078
Taxes and fess	4,714
Contractual	785
Other	28,980
Depreciation	729
Total operating expenses	<u>112,998</u>
Income (Loss) before transfers	<u>(39,828)</u>
Other financing sources (uses)	
Operating transfers in	-
Operating transfers out	-
Total other financing sources (uses)	<u>-</u>
Net change in net assets	(39,828)
Net assets, beginning of year	488,078
Irreconcilable difference	(2,034)
Net assets, end of year	<u>\$ 446,216</u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For The Year Ended June 30, 2008**

	<b>Enterprise Funds</b>
<b>Cash flows from operating activities</b>	
Received from services and fess	\$ 78,952
Received from government agencies	(5,864)
Investment income	82
Cash flows from operating activities	<u>73,170</u>
 <b>Cash flows from investing activities</b>	
Fixed asset acquisition	unknown
Disposition of fixed assets	unknown
Cash flows from investing activities	<u>unknown</u>
 <b>Cash flows from financing activities</b>	
Cash flows from financing activities	<u>unknown</u>
 Net increase (decrease) in cash and cash equivalents	unknown
Cash and cash equivalents at beginning of year	<u>465,133</u>
Cash and cash equivalents at end of year	<u><u>201,433</u></u>
 <b>Reconciliation of increase in net assets to net cash provided by operating activities</b>	
Increase (Decrease) in Net Assets	(39,828)
Adjustments to reconcile increases in net assets to cash provided by operating activities:	
Depreciation	729
Loss on Disposition of Assets	
(Increase) Decrease in Grant/Other Receivable	unknown
(Increase) Decrease in Prepaid Expenses	unknown
Increase (Decrease) in Accounts Payable	unknown
Increase (Decrease) in Accrued Expenses	unknown
Net cash provided by operating activities	<u>unknown</u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
-AGENCY FUNDS  
As of June 30, 2008**

	<u>WIA Board Fund</u>	<u>TANF Fund</u>	<u>Employee Retireman Plan</u>	<u>Total</u>
<b>ASSETS:</b>				
Current:				
Cash	\$ 143,881	23,402	unknown	167,283
Due from other governments	696,590	428,535	unknown	1,125,125
Non-current				
Capital assets, net	<u>331,621</u>	<u>-</u>	<u>unknown</u>	<u>331,621</u>
Total assets	<u>\$ 1,172,092</u>	<u>451,937</u>	<u>unknown</u>	<u>1,624,029</u>
<b>LIABILITIES:</b>				
Current:				
Accounts payable	\$ 661,325	434,434	unknown	1,095,759
Net assets held for others	<u>510,767</u>	<u>17,503</u>	<u>unknown</u>	<u>528,270</u>
Total liabilities	<u>\$ 1,172,092</u>	<u>451,937</u>	<u>unknown</u>	<u>1,624,029</u>

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

Eastern Plains Council of Governments (EPCOG) is a voluntary association of county and municipal governments within the seven county areas of Planning and Development Council IV. Eastern Plains Council of Governments was established in 1972 by member governments under the statutory authority of the Regional Planning Act, to assist local governments in planning for common needs, cooperating for mutual benefits and coordinating for sound regional development.

Membership of Eastern Plains Council of Governments includes representatives from the county commissions of Roosevelt, Curry, De Baca, Guadalupe, Quay, Harding and Union counties and from nineteen of the twenty-two incorporated municipalities in the Council. Several agencies and organizations are represented on the council as citizen participation groups.

Eastern Plains Council of Governments serves a variety of functions, including information dissemination, area-wide and local planning, direct technical assistance, intergovernmental coordination and training. Priority considerations are given to economic development, housing programs, resource planning, programs for the elderly, programs to improve county or community infrastructure and transportation. Technical expertise in areas which require complex federal grant applications for funding assistance is provided to smaller jurisdictions which do not have the staff for such activities. In their capacity as an area-wide clearinghouse, Eastern Plains Council of Governments provides valuable coordination at the local level.

In evaluating how to define the EPCOG for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. There were no component units identified as needing to be disclosed or presented as part of the reporting entity.

**B. Basis of Accounting**

**1. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This is the same approach used in preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Also, fiduciary funds are not included in the government-wide financial statements. Interfund payables and receivables have been eliminated in determining the government-wide financial statements.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements

Net assets should be reported as restricted when constraints placed on net assets use is either externally imposed by law through constitutional provisions or enabling legislation. Restricted assets are applied first before unrestricted assets.

**2. GAAP Presentation**

The financial statements of the EPCOG are prepared in accordance with Generally Accepted Accounting Principles generally accepted in the United States of America (GAAP). The EPCOG's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**3. Fund Financial Statements**

Fund financial statements report detailed information about the EPCOG. The focus of governmental fund financial statements is on the major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. For the year ended June 30, 2008, the EPCOG elected to present all their funds as major funds. Therefore, there were no non-major funds.

**4. Governmental Funds**

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**5. Revenue Recognition**

In applying the "susceptible to accrual concept" under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

or within 60 days of year-end and available to pay obligations of the current period). This includes reimbursements from state and federally funded projects, which are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Revenues from grants that are restricted for specific uses are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual. Interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

**6. Expenditure Recognition**

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid.

Expenditures, other than vacation and sick pay, are recorded when the related fund liability is incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

**7. Fund Accounting**

The accounts of the EPCOG are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The funds are governmental fund types and are grouped as General Fund and Special Revenue-HUD Funds.

The General Fund is the general operating fund of the EPCOG. It is used to account for all financial resources except those required to be accounted for in another fund.

The HUD Fund is used to account for the subcontract costs of the HUD Home Rehab program Funded by the New Mexico Mortgage Finance Authority. The authority for the creation of this fund is the local board.

Business-type activities are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All enterprise funds are accounted for using an economic resources measurement focus and the accrual basis of accounting.

**STATE OF NEW MEXICO**  
**EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2008**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of EPCOG's enterprise funds are charges for administrative services or rental income. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following significant program/grants in the enterprise fund:

- *San Jon Apts. Proprietary Fund – to account for the management of the San Jon apartment complex.*
- *Section 8 Administration Proprietary Fund – federally funded to supplement rental payments of low-income families/individuals.*
- *San Jon Apartment Administration – Administrative services while San Jon was under Fairway management until it was purchased by Eastern Plains Council of Governments.*

Workforce Investment Act Fund (WIA) – The EPCOG serves as the fiscal agent and also as the administrative entity for the Eastern Area Workforce Development Board (EAWDB). EAWDB coordinates workforce and youth activities in the local area and administers Workforce Investment funds. The fiscal agent and administrative entity financial activity is maintained in the WIA Fund.

The fiduciary fund is used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the EPCOG. Agency funds are generally used to account for assets that the EPCOG holds on behalf of others as their fiscal agent. These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The EPCOG has one agency fund that is used to account for the fiscal activities of the Eastern Area Workforce Development Board (EAWDB). The EAWDB contracts with the EPCOG to provide fiscal and administrative functions.

Separate financial statements are provided for governmental funds and fiduciary funds. In accordance with the provisions of GASB Statement No. 34, the fiduciary funds are excluded from government-wide financial statements.

**8. GASB Statement #54**

In February 2009, the GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as non-spendable, restricted, or unrestricted (committed, assigned or unassigned).

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

**9. Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the EPCOG's policy to use restricted resources first. When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the EPCOG's policy to spend committed resources first.

**C. Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the EPCOG as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized. The valuation bases for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Sub-grantees purchasing equipment by sub-grant made by the EPCOG to other agencies is not accounted for in capital assets. Purchased capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000 and estimated useful life in excess of two years. The EPCOG includes software, and assets constructed by personnel as required in the capital assets if it meets the minimum capitalization policy. The tracking and recording of capital assets has not been properly managed as noted in finding 6-09.

The EPCOG does not develop computer software for internal use and therefore, does not have a policy for capitalizing computer software developed for internal use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Type	Estimated Depreciable Life
Buildings & Improvements	50 years
Land improvements	50 years
Equipment	10 years

**D. Budgets**

Budgets are prepared on a cash basis by the staff prior to contract date based upon past history and salaries approved by the executive committee. The budget is then approved by the grantor agency. Budget revisions are presented to the full board of directors for approval and then are submitted to the grantor agency for approval. The budget is broken down internally by activity and these specific activities are presented in the supporting schedules.

Budgetary Control - each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

department and general ledger account. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by the board of directors. These budgets were not available for audit or presentation in the audit report. In addition, a budget for proprietary funds was unavailable for audit or presentation in the audit report.

**E. Indirect Cost**

EPCOG does not have a negotiated Indirect Cost Rate with federal grantors but does allocate expenditures such as overhead costs not directly attributable to specific programs. These expenditures are allocated monthly among all funds based upon the budgeted expenditures for each fund as a percentage of total budgeted expenditures.

**F. Interfund Receivable and Payables – Due To/Due From**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Interfund receivables and payables are presented at net amounts for each fund. See Note 7 for detail on interfund receivables and payables.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Cash and Cash Equivalents**

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

The EPCOG's cash and cash' equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of EPCOG's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The EPCOG is also allowed to invest in United States Government obligations. All funds of the EPCOG must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the EPCOG. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

**I. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types. Appropriations, if applicable, lapse at fiscal year end for budgetary purposes.

**J. Net Assets and Fund Balance**

Net assets on the Statement of Net Assets include the following:

Invested in Capital Assets, net of debt – the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – the component of net assets that reports the difference between assets and liabilities of EPCOG that consists of assets with constraints placed on their use that are legally enforceable by legislation and the like to be used only for the purposes specified.

Unrestricted – the difference between the assets and liabilities that is not reported in net assets invested in capital assets or restricted net assets.

In the fund level financial statements, the EPCOG has no designated fund balance. The EPCOG applies restricted funds first to expenditures before applying restricted funds when applicable. Designated fund balances represent tentative plans for future use of financial resources.

**K. Fund Balance**

The EPCOG's fund balance is classified under the following GASB Statement 54 components:

- **Non-spendable:** Non-spendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The EPCOG does not have any non-spendable fund balance for the year ended June 30, 2008.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The EPCOG does not have any restricted fund balance for the year ended June 30, 2008.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority The EPCOG does not have any committed fund balance for the year ended June 30, 2008.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The EPCOG believes it has assigned fund balance of \$156,344 for the year ended June 30, 2008, but the accuracy and restrictions of this balance are unknown.
  
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The EPCOG does not currently have a minimum fund balance policy. The EPCOG believes it has a deficit unassigned fund balance of \$(227,107) for the year ended June 30, 2008, but the accuracy of this balance is unknown.

THIS PORTION OF THE PAGE WAS INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

**2. CASH BALANCES**

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required to have an aggregate value equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation, or the National Credit Union Administration. The EPCOG has no formal deposit policies for its accounts. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. All of the bank deposit balances up to \$100,000 were covered by federal depository insurance consisting of FDIC coverage.

The Governmental Accounting Standards Board has issued its Statement #40 which requires information on custodial risk be disclosed. Custodial credit risk is risk that in the event of bank failure, EPCOG's deposits may not be returned to it. EPCOG's deposit policy is to collateralize one half of the uninsured public money in each account. The following is a listing of deposits of public money and collateral pledged at values acceptable per state statute, by the depositing financial institutions as of June 30, 2008:

Citizens Bank Account Name	Type	Bank Balance	Outstanding Checks	Suspense Items	Book Balance
EPCOG	Operating	\$ 211,670	unknown	unknown	211,670
EPCOG - Rehab	Operating	11,204	unknown	unknown	2,307
EPCOG - Building Reserve	Reserve	unknown	unknown	unknown	990
Rio Pecos	Operating	unknown	unknown	unknown	464
Rio Pecos	Sec.Dep.	8,219	-	-	8,219
San Jon Apt	Operating	unknown	unknown	unknown	31,015
San Jon Apt	Tax & Lic	unknown	unknown	unknown	1,025
San Jon Apt	Sec.Dep.	unknown	unknown	unknown	4,743
San Jon Apt	Reserve	unknown	unknown	unknown	5,025
Ruth Visage Apt	Operating	11,197	(240)	-	10,957
Ruth Visage Apt	Sec.Dep.	14,104	-	-	14,104
Ruth Visage Apt	Reserve	67,493	-	-	67,493
Total Cash Citizens Bank		<u>unknown</u>	<u>unknown</u>	<u>unknown</u>	<u>358,012</u>
Less: FDIC coverage		<u>(100,000)</u>			
		<u>\$ (100,000)</u>			
50% collateral requirement		unknown			
<b><u>Pledged Collateral held in bank's name</u></b>					
GNMA II Pool, CUSIP #36202C7A5					
matures date unknown, market value to be used		\$ unknown			
SBA 10C1, CUSIP # 83162CHLO,					
maturity date unknown, market value to be used		<u>unknown</u>			
Total		<u>unknown</u>			
Over (under) collateralized		<u>\$ unknown</u>			

Due to missing bank statements and lack of proper controls over cash, the carrying amount and bank balances of the EPCOG's deposits were unknown.



**STATE OF NEW MEXICO**  
**EASTERN PLAINS COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2008**

**3. RECEIVABLES AND DEFERRED REVENUE**

Receivables at June 30, 2008 consist of the following:

	General	HUD Fund	Enterprise Fund	Total
Grants and contracts	\$ 128,607	125,995	(15,937)	238,665

The EPCOG considered all amounts fully collectible and therefore has not set up any allowances for doubtful accounts.

Governmental and proprietary funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. These funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the funds were as follows:

Grant draw downs prior to meeting all eligibility requirements	\$ 153,196
Enterprise income received in advance	2,273
Total: deferred/unearned revenue	\$ 155,469

**4. CAPITAL ASSETS AND DEPRECIATION**

A summary of changes in capital assets for the fiscal year ended June 30:

	2007	Additions	Deletions	2008
<b>Government Activities</b>				
Land	\$ 258,258	unknown	unknown	258,258
Furniture and equipment	149,764	unknown	unknown	149,764
Buildings & improvements	3,127,138	unknown	unknown	3,127,138
Vehicles	18,031	unknown	unknown	18,031
Total	3,553,191	unknown	unknown	3,553,191
Less accumulated depreciation				
Furniture and equipment	(28,241)	unknown	unknown	(29,253)
Buildings & improvements	(353,205)	unknown	unknown	(405,291)
Total accumulated depreciation	(381,446)	unknown	unknown	(434,544)
Net capital assets - governmental activities	3,171,745	unknown	unknown	3,118,647
<b>Business Activities</b>				
Land	38,420	unknown	unknown	38,420
Buildings & Improvements	345,788	unknown	unknown	345,788
Total	384,208	unknown	unknown	384,208
Less accumulated depreciation				
Furniture and equipment	(42,658)	unknown	unknown	(42,658)
Buildings & Improvements	(9,166)	unknown	unknown	(10,278)
Total accumulated depreciation	(51,824)	unknown	unknown	(52,936)
Net capital assets -business activities	332,384	unknown	unknown	331,272
Total net capital assets	\$ 3,504,129	unknown	unknown	3,449,919

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

Additions and deletions are unknown during the current year.

WIA fund capital assets were purchased through the Fiscal Agent and Administrative Entity WIA federal grant funds. If the Fiscal Agent and or the Administrative Entity changes from EPCOG to another entity, these capital assets would be transferred over to the entity.

Current year depreciation expense and debt related to any capital assets for the fiscal year ended June 30, 2008 was unknown.

**5. ACCRUED ANNUAL LEAVE**

Compensated vacation can be accumulated, but upon separation of service no more than four weeks is payable to the employee. The cost of vacation pay is recognized when payments are made to employees.

Sick leave is not accrued or payable upon termination. Employees are allowed twenty compensated sick days per year. Unused sick days are not accumulated or paid to the employee. Excess days must be approved by the Executive Director. Eastern Plains Council of Governments has no liability for sick leave

Accrued annual leave amounts due in the current year are not determinable so all are classified as long-term.

Annual leave activity was as follows for the year ended June 30, 2008:

		<u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>2008</u>
Annual Leave	\$	<u>(5,226)</u>	<u>unknown</u>	<u>unknown</u>	<u>(5,226)</u>

**6. LONG-TERM DEBT**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. The council does not have authority to issue bonds, however, it has acquired debt financing through reputable lending institutions, the federal government and the State of New Mexico finance authority.

Long term debt for EPCOG is unknown for the year ended June 30, 2008.

**7. INTERFUND TRANSACTIONS AND BALANCES**

Transfers from and to the general fund from the major special revenue and agency funds were as follows:

<u>Major Funds:</u>		<u>In</u>	<u>Out</u>
HUD fund to General fund	\$	-	-
General fund from HUD fund		-	-
Subtotal	\$	<u>-</u>	<u>-</u>

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

Transfers were used when receivables and liabilities that were originally in the general fund needed to be allocated to the special revenue funds and agency funds. Balance transfers are considered routine for the fiscal year ended June 30, 2008.

Interfund receivables and payables for the year ended June 30, 2008 were as follows:

<u>Receivable from</u>	<u>Payable to</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
Enterprise Fund		\$ 3,290	-	unknown
	HUD Fund		(15,768)	unknown
	General fund	-	(88,895)	unknown
		<u>\$ 3,290</u>	<u>(104,663)</u>	

Interfund balances did not balance and the correct balances were unknown.

**8. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS**

Because the EPCOG budgets were not available the reconciliation between budgetary basis and GAAP basis was not possible.

**9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN**

Eastern Plains Council of Governments adopted a money purchase retirement plan on January 1, 1989. The money purchase retirement plan has been converted to a 401-K plan effective July 1, 1996. The company contributes, on behalf of each participant, 6% of earnings for the plan year. The participants do not contribute to this plan. Employer contributions were unknown for the years ending June 30, 2008, 2007, and 2006, respectively.

The vesting schedule is as follows:

Less than two years	0%
Two years	25%
Three years	50%
Four years	75%
Five years	100%

Eastern Plains Council of Governments also has a deferred compensation plan. Employees contribute a minimum of six percent up to a maximum of twenty-five percent of salary. The plan is a code Section 457 deferred compensation plan. Employee contributions to this plan were unknown for the years ending June 30, 2008, 2007 and 2006, respectively.

Both plans are managed by ICMA in Albuquerque New Mexico with Advantage Point Trust Company being the transfer agent holding the funds.

**10. RISK MANAGEMENT**

It is the policy of Eastern Plains Council of Governments to purchase insurance for the risks of losses to which it is exposed. The commercial insurance includes coverage for general liability, property, casualty and employee health and accident.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2008**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2008, the EPCOG probable risk of loss is unknown.

**11. DEFICIT FUND BALANCE**

The HUD fund had a deficit fund balance of \$(222,107) at June 30, 2008.

**12. POST EMPLOYMENT BENEFITS**

The EPCOG has chosen not to participate in the retiree health care service that it is eligible for under the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978)

**13. RELATED PARTY TRANSACTIONS**

Related party transactions are unknown for the year ended June 30, 2008.

**14. CREDIT AND DEBIT BALANCES ON FINANCIALS**

Due to a lack of proper internal controls, several accounts were not recorded properly resulting in several assets showing credit balances and liabilities showing debit balances. The correct balances for these accounts could not be determined.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2008**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- through Identifying Number</b>	<b>Grant Award Expended</b>
<i>Direct programs</i>			
Department of Housing and Urban Development			
Home Investment Partnerships Program			
Clovis Home - 2005	14.239		\$ 89,410
EPCOG Home - 2004	14.239		107,254
EPCOG Home Rehab 06-002	14.239		82,170
TBRA - Emergency Grant/Curry-Quay	14.239		3,618
TBRA-2006	14.239		<u>12,475</u>
Total Home Investment Partnerships Program			294,927
Supportive Housing Program			
Continuum of Care - Admin	14.235		1,124
Continuum of Care - Program	14.235		<u>12,128</u>
Total Supportive Housing Program			<u>13,252</u>
Total Department of Housing and Urban Development			<u>308,179</u>
Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558*		151,965
Temporary Assistance for Needy Families - Challenge	93.558*		63,206
Low-Income Home Energy Assistance	93.558*		<u>24,123</u>
Total Department of Health and Human Services			<u>239,294</u>
Department of Labor			
WIA Adult Program			
EAWDB Fiscal Agent	17.258*		97,836
Workforce Admin Contract	17.258*		94,901
Workforce Board Operating 04-05	17.258*		73,022
Workforce Program	17.258*		<u>137,672</u>
Total Department of Labor			<u>403,431</u>
Department of Commerce			
EDA	11.302		<u>37,500</u>
Total Department of Commerce			<u>37,500</u>
Department of Energy			
Weatherization Assistance for Low-Income Persons	81.042		<u>109,104</u>
Total Department of Energy			<u>109,104</u>
Department of Agriculture			
HPG 2006	10.433		<u>22,022</u>
Total Department of Agriculture			<u>22,022</u>
<i>Pass-through Programs</i>			
Department of Health and Human Services Pass-Through Programs From			
CYFD-Teenage Pregnancy Prevention Program			
CYFD-CYFD - Admin	93.297		6,500
CYFD-CYFD - Program	93.297		<u>36,637</u>
Total Department of Department of Health and Human Services			<u>43,137</u>
Total federal awards expended			\$ <u>1,162,667</u>
Total general government expenses			<u>2,196,082</u>
Difference - reason unknown			<u>(1,033,415)</u>

**Selected Disclosures**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eastern Plains Council of Governments, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
2. The Eastern Plains Council of Governments did not receive any noncash assistance.
3. Payments to subrecipients-n/a None

SEE INDEPENDENT AUDITORS' REPORT

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -AGENCY FUNDS  
As of June 30, 2008**

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<b>Assets</b>				
Cash				
WIA Board Fund	\$ 686,067	unknown	unknown	143,881
TANF	<u>2,249</u>	<u>unknown</u>	<u>unknown</u>	<u>23,402</u>
Total cash	<u>688,316</u>	<u>unknown</u>	<u>unknown</u>	<u>167,283</u>
Due from governments				
WIA Board Fund	393,336	unknown	unknown	696,590
TANF	<u>618,246</u>	<u>unknown</u>	<u>unknown</u>	<u>428,535</u>
Total due from governments	<u>1,011,582</u>	<u>unknown</u>	<u>unknown</u>	<u>1,125,125</u>
Capital asset, net				
WIA Board Fund	372,225	unknown	unknown	331,621
TANF	<u>-</u>	<u>unknown</u>	<u>unknown</u>	<u>-</u>
Total capital assets	<u>372,225</u>	<u>unknown</u>	<u>unknown</u>	<u>331,621</u>
Total assets	<u>\$ 2,072,123</u>	<u>unknown</u>	<u>unknown</u>	<u>1,624,029</u>
<b>Liabilities</b>				
Accounts payable				
WIA Board Fund	\$ 101,201	unknown	unknown	661,325
TANF	<u>618,246</u>	<u>unknown</u>	<u>unknown</u>	<u>434,434</u>
Total accounts payable	<u>719,447</u>	<u>unknown</u>	<u>unknown</u>	<u>1,095,759</u>
Due to other entities				
WIA Board Fund	412,554	unknown	unknown	-
TANF	<u>-</u>	<u>unknown</u>	<u>unknown</u>	<u>-</u>
Total due to other entities	<u>412,554</u>	<u>unknown</u>	<u>unknown</u>	<u>-</u>
Deferred revenue				
WIA Board Fund	478,441	unknown	unknown	-
TANF	<u>-</u>	<u>unknown</u>	<u>unknown</u>	<u>-</u>
Total deferred revenues	<u>478,441</u>	<u>unknown</u>	<u>unknown</u>	<u>-</u>
Net assets held for others				
WIA Board Fund	459,432	unknown	unknown	510,767
TANF	<u>2,249</u>	<u>unknown</u>	<u>unknown</u>	<u>17,503</u>
Total net assets held for others	<u>461,681</u>	<u>unknown</u>	<u>unknown</u>	<u>528,270</u>
Total liabilities	<u>\$ 2,072,123</u>	<u>unknown</u>	<u>unknown</u>	<u>1,624,029</u>

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements



**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**

The Board of Directors  
Eastern Plains Council of Governments  
Clovis, New Mexico and  
Mr. Hector Balderas, State Auditor

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Eastern Plains Council of Governments (EPCOG) as of and for the year ended June 30, 2008, and have issued our report thereon dated June 15, 2012. We were also engaged to audit the financial statements of each of EPCOG's non-major governmental and major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. We disclaimed our opinion because we were unable to apply auditing procedures to cash, assets, liabilities, net assets, revenues, expenditures, federal awards, capital assets, accumulated depreciation, and depreciation expense accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

June 15, 2012

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

---

detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. 05-01, 05-03, 05-05, 05-06, 05-08, 06-01, 06-02, 06-07, 06-08, 06-10, 06-20, and 06-21.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. 04-01 through 04-05, 05-07, 05-10, 06-03 through 06-06, 06-09, 06-11, 06-13, 06-14, and 06-17 through 06-19.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the EPCOGs' general purpose 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 an instance of noncompliance or other matters that is to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-7.

EPCOG's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit EPCOG's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board, management, federal award agencies, the Office of the New Mexico State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
June 15, 2012





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

The Board of Directors  
Eastern Plains Council of Governments  
Clovis, New Mexico  
and  
Mr. Hector Balderas, State Auditor

**Compliance**

We were engaged to audit the compliance of EPCOG's 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, 2008. EPCOG'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 EPCOG's management. Our responsibility is to express an opinion on EPCOG's compliance based on our audit.

Except as discussed in the following paragraph, 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 EPCOG'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 EPCOG's compliance with those requirements.

Management has not designed, implemented, or monitored the policies and procedures needed to capture, record, and present federal expenditures accurately and completely, nor could the EPCOG provide sufficient documentation supporting the actual amounts and compliance with requirements associated with federal expenditures.

Because of the severity and pervasiveness of the lack of internal controls over compliance coupled with the EPCOG's inability to provide sufficient documentation of the federal expenditures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the EPCOG complied with the requirements referred to above that are applicable to any major program for the year ended June 30, 2008.

### **Internal Control Over Compliance**

Management of EPCOG 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 EPCOG'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 opinions on compliance and to test and report internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of EPCOG's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 06-20 to be a material weakness.

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

June 15, 2012

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

---

in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 05-10, 06-12, 06-14, and 06-15 to be significant deficiencies.

EPCOG's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit EPCOG's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the school board, management, the Office of The New Mexico State Auditor, federal award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
June 15, 2012

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

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

Financial Statements

Type of auditors' report issued

Disclaimer

Internal Control over financial reporting:

Material weaknesses identified?

Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?

Yes  No

Non-compliance material to financial statements noted?

Yes  No

Federal Awards

Internal Control

Material weaknesses identified?

Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?

Yes  No

Type of auditors' report issued on major programs

Disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes  No

Identification of major program as noted below:

CFDA Numbers Funding

Source	Name of Federal Programs	Funding Source
17.258, 17.259, 17.260	Workforce Investment Act-Cluster	U.S Department of Labor
93.558	Temporary Assistance for Needy Families	U.S Department of Health and Human Services

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

Auditee qualified as low-risk auditee?

Yes  No

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

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

		Status of Current and Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Audit Rule Finding	Significant Deficiency	Material Weakness
Prior year							
04-01	OVER-EXPENDED BUDGET	Repeated	Yes	No	Yes	Yes	No
04-02	LATE AUDIT REPORT	Repeated	Yes	No	Yes	Yes	No
04-03	GRANT MANAGEMENT	Repeated	Yes	No	No	Yes	No
04-04	NEGATIVE CASH BALANCES	Repeated	Yes	No	No	Yes	No
04-05	GRANT FUNDING	Modified	Yes	No	No	Yes	No
04-07	DATA COLLECTION FORM	Repeated	No	Yes	No	No	No
05-01	CONDITION OF ACCOUNTING RECORDS	Repeated	Yes	No	No	No	Yes
05-03	ADJUSTMENTS MADE TO FUND BALANCE ACCOUNTS	Repeated	Yes	No	No	No	Yes
05-05	BUDGET RECORDS	Repeated	Yes	No	No	No	Yes
05-06	LACK OF CONTROL STRUCTURE	Repeated	Yes	No	No	No	Yes
05-07	INEFFICIENT PO SYSTEM	Repeated	Yes	No	No	Yes	No
05-08	GIFT CARDS FROM WAL-MART AND LOWE'S PURCHASED FOR TEEN PARENT PROGRAM	Repeated	Yes	No	No	No	Yes
05-10	TIME KEEPING RECORDS FOR FEDERAL RECORDS	Repeated	No	Yes	No	Yes	No
06-01	BANK RECONCILIATIONS	Repeated	Yes	No	No	No	Yes
06-02	CHECK STOCK	Repeated	Yes	No	No	No	Yes
06-03	MIP ACCESS	Repeated	Yes	No	No	Yes	No
06-04	LACK OF ADEQUATE DOCUMENTATION FOR EXPENDITURES	Repeated	Yes	No	No	Yes	No
06-05	LACK OF ADEQUATE APPROVAL FOR EXPENDITURES	Repeated	Yes	No	No	Yes	No
06-06	BACKUP DOCUMENTATION MISSING	Repeated	Yes	No	No	Yes	No
06-07	SEGREGATION OF DUTIES - CASH DISBURSEMENTS	Repeated	Yes	No	No	No	Yes
06-08	LACK OF ADEQUATE DOCUMENTATION FOR CREDIT CARD PURCHASES	Repeated	Yes	No	No	No	Yes
06-09	CAPITAL ASSETS	Repeated	Yes	No	Yes	Yes	No
06-10	DEFICIENCIES IN INTERNAL CONTROL STRUCTURE DESIGN, OPERATION, AND OVERSIGHT	Repeated	Yes	No	No	No	Yes

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

		Status of Current and Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Audit Rule Finding	Significant Deficiency	Material Weakness
06-11	PAYROLL FUNCTION	Repeated	Yes	No	No	Yes	No
06-12	ALLOCATION OF SHARED COSTS	Repeated	No	Yes	No	Yes	No
06-13	FINANCIAL GRANT MANAGEMENT	Repeated	Yes	Yes	No	Yes	No
06-14	BUDGET COMPARISON	Repeated	Yes	No	No	Yes	No
06-15	REPORTING AND UTILIZING PROGRAM INCOME	Repeated	No	Yes	No	Yes	No
06-16	ADMINISTRATIVE COSTS	Repeated	No	Yes	No	Yes	No
06-17	TRAVEL	Repeated	Yes	No	No	Yes	No
06-18	JOURNAL ENTRIES	Repeated	Yes	No	No	Yes	No
06-19	MONITORING OF GRANT REVENUE/ EXPENDITURE ALLOCATION	Repeated	Yes	No	No	Yes	No
06-20	EMBEZZLING OF TORNADO RELIEF FUNDS	Repeated	Yes	Yes	No	No	Yes
06-21	UNKNOWN BANK COLLATERAL	Repeated	Yes	No	Yes	No	Yes

***PRIOR YEAR FINDINGS***

**04-01 – OVER-EXPENDED BUDGET – SIGNIFICANT DEFICIENCY**

*Condition:*

Expenditures exceeded budget amounts for the general fund by \$500,733 and for the HUD fund by \$90,020.

*Criteria:*

State statute prohibits budgets of Public Entities to be overspent. 22-8-11(B) NMSA 1978.

*Effect:*

Violation of State Statute.

*Cause:*

There has been major turnover in all key financial positions since EPCOG's last audit in 2004. Additionally, an approved budget was not provided and therefore true budgeted amounts are unknown.

*Recommendation:*

Continue to develop policies and utilization of the MIP system to track budgets by the grant managers.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**04-02 – LATE AUDIT REPORT – SIGNIFICANT DEFICIENCY**

*Condition:*

This report was mailed to the Office of the State Auditor on June 15, 2012.

*Criteria:*

The New Mexico State Auditors' Office has issued 2 NMAC 2.2, Requirements for Contracting and Conducting Audits of Agencies, due dates for special purpose government audits to be in his office by December 1, 2008 and the report was due March 31, 2009 for reporting to the federal government in accordance with provisions of OMB Circular A-133.

*Effect:*

The report was not available for the New Mexico State Auditor and other state agencies to review on a timely basis.

*Cause:*

Due to late filing of prior year audits, fieldwork could not begin on June 30, 2008 audit until after the State Auditor's due dates.

*Recommendation:*

We recommend management continue to develop systems and personnel in order to keep records current and available for timely auditing.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**04-03 – GRANT MANAGEMENT – SIGNIFICANT DEFICIENCY**

*Condition:*

Internal control over grant management is not adequate to properly track the organization's grants.

*Criteria:*

Weak internal controls allow for the possibility of errors, irregularities, and even fraud.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Effect:*

Slow draw-down request and unauthorized borrowing between funds.

*Cause:*

Management has not analyzed and implemented the needed controls over grant management.

*Recommendation:*

Management should make an evaluation of controls in place, identify the weakest areas and develop controls to strengthen those areas.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**04-04 – NEGATIVE CASH BALANCES – SIGNIFICANT DEFICIENCY**

*Condition:*

At year end, the HUD fund had a cash deficit of \$118,223.

*Criteria:*

Unauthorized borrowing between funds typically is a violation of local, state, or federal statute and/or grant restrictions.

*Effect:*

Cash control was weakened.

*Cause:*

Failure to identify cash by fund and posting transfers timely created a situation where management was not aware of the actual financial position of funds, especially with cash belonging to several funds pooled into a single bank account.

*Recommendation:*

Review of each fund, at a minimum, on a monthly basis to ensure that the fund has not been loaned or borrowed cash from another fund.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**04-05 – GRANT FUNDING – SIGNIFICANT DEFICIENCY**

*Condition:*

EPCOG does not have a process to ensure federal funds are consistently drawn down in a manner to minimize the time elapsing between the transfer of funds from the State and the expenditure of those funds for program purposes.

*Criteria:*

29 CFR 97.20(b)(7) requires minimal time to elapse between the receipt of Federal funds and the disbursement of those funds by the grantee and subrecipient.

*Effect:*

This results in the misrepresentation of the drawdowns and disbursements necessary to support grant activities. In months with high expenditures but little or no Federal cash drawdowns, the grantee is understating the amount of federal funds that were actually needed and that should have been drawn and disbursed to support grant activities during that month. In months with large Federal cash drawdowns, which exceed the reported expenditures for that month, the grantee is overstating the actual drawdowns and disbursements that were necessary to support grant activities during that month.

*Cause:*

The EPCOG did not have policies and procedures in place to ensure federal funds are consistently drawn down in a manner to minimize the time elapsing between the transfer of funds from the State and the expenditure of those funds for program purposes.

*Recommendation:*

The EPCOG should develop and implement written policies and procedures ensuring Federal funds are consistently drawn down in a manner to minimize the time elapsing between the transfer of funds from the State and the expenditure of those funds for program purposes.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**04-07 – DATA COLLECTION FORM – SIGNIFICANT DEFICIENCY**

*Condition:*

The data collection form and reporting package was not submitted to the federal clearinghouse and federal agencies timely.

*Criteria:*

OMB Circular A-133.32 requires the data collection form and reporting package to be filed with the federal clearinghouse and federal agencies within 9 months after fiscal year end.

*Effect:*

The report was not available for federal agencies to review on a timely basis.

*Cause:*

Due to late filing of prior years' audits, fieldwork could not begin on June 30, 2008 audit until after the due date of the required information.

*Recommendation:*

We recommend management continue to develop systems and personnel in order to keep records current and available for timely auditing.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**05-01 – CONDITION OF ACCOUNTING RECORDS – MATERIAL WEAKNESS**

*Condition:*

The accounting records were in extremely poor condition. Reconciliation accounts had not been performed on a timely basis if at all. Much of the supporting documentation for revenues could not be found. Very little documentation for journal entries was available. Details of capital assets, long-term debt, and the employee benefit plan were not available.

*Criteria:*

Public entities operating with public funds and grants are required to keep accurate accounting records. Accounting records and supporting documentation should be available for audit and review.

*Effect:*

An effective audit could not be performed because there is not enough substantial evidence to prove management's assertions, nor is there enough information for an auditor to make adjusting entries.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

Basically the entity has financial statements for the fiscal year ended June 30, 2008 that are meaningless.

*Cause:*

EPCOG finance staff simply did not keep up with the task necessary to maintain the accounting records of the entity. An audit could not be performed because of the condition of the records.

*Recommendation:*

Because of the amount of time that has passed and the fact that all the finance staff that was present during the period under audit is no longer employed, it is recommended that the current finance staff and management work to produce correct financial information for the current fiscal year. The amount of work necessary to "fix" the prior years is too great for the amount of staff and could prove too costly for EPCOG to have corrected. EPCOG should focus on the current and look to the future rather than look at the past.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**05-03 – ADJUSTMENTS MADE TO FUND BALANCE ACCOUNTS – MATERIAL WEAKNESS**

*Condition:*

Numerous unsubstantiated journal entries were made to the fund balance accounts to many of the active funds. The entries had no support and affected accounts throughout the fund's trial balance.

*Effect:*

The balance in fund balance does not roll from one fiscal year to another. Many of the entries were used to clear out payables and receivables without substantiation of the adjustment. The balance sheet does not agree to any detail ledgers and is therefore unreliable.

*Cause:*

The EPCOG did not have policies and procedures in place to ensure adjustments made to fund balance were substantiated with supporting documentation.

*Criteria:*

It is not good accounting practice to post adjustments through a fund balance account. Only substantiated prior period adjustments should be posted to fund balance.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Recommendation:*

Finance staff should cease making entries to fund balance.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**05-05 – BUDGET RECORDS – MATERIAL WEAKNESS**

*Condition:*

The budget records presented to the auditor appear inaccurate. Either, the expenditure information did not agree with the trial balance, the budget amounts were of combined fiscal years, or the revenue and expenditure amounts were unreliable.

*Criteria:*

State statute and the state audit rule require the presentation of budget to actual reports in the audit report. Public funds are to be maintained in a budget system and over expenditures are prohibited.

*Effect:*

EPCOG does not have reliable and complete budgetary reports to resent.

*Cause:*

Budget information was not maintained accurately or was not maintained at all for some funds.

*Recommendation:*

Management and staff should establish and maintain a budget system.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**05-06 – LACK OF CONTROL STRUCTURE – MATERIAL WEAKNESS**

*Condition:*

It appears that there was no real system to provide review for accuracy in posting and financial reporting. The communication environment really didn't provide for upward reporting of issues.

*Criteria:*

State statute, the state audit rule, and compliance requirements of federal programs require that an adequate control structure should be maintained.

*Effect:*

Numerous errors made it into the final trial balance of EPCOG. The errors were so numerous that EPCOG staff were unable to sort out the incorrect balances. As noted in finding 05-03, adjustments were posted to the fund balance accounts. The ultimate result is the financial statements are not reliable.

*Cause:*

There were no established internal controls. Staff of EPCOG did not have a reliable communication structure or means of resolving issues. Many staff were left to their own devices and did what they wanted to do.

*Recommendation:*

Management of EPCOG needs to establish an effective internal control system and adhere to it. Such a system needs to be mindful of segregation of duties, review and approval, and a focus on accuracy of financial information.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**05-07 – INEFFICIENT PO SYSTEM – SIGNIFICANT DEFICIENCY**

*Condition:*

During the review of expenditures, it was noted that a purchase order did not accompany all of the expenditures. The purchase orders observed did not follow a pre-numbered, controlled system.

*Criteria:*

An effective, efficient purchase order system is essential to operating a budgetary control system required by state statute and the state audit rule.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Effect:*

EPCOG had no effective spending controls in place. Those controls would have provided for the availability of funds and would have determined whether expenditure was allowable prior to initiation of the expenditure.

*Cause:*

A purchased order system was not established nor was it adhered to.

*Recommendation:*

EPCOG should establish a pre-numbered purchase order system for all purchases for all funds.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**05-08 – GIFT CARDS FROM WAL-MART AND LOWE’S PURCHASED FOR TEEN PARENT PROGRAM – MATERIAL WEAKNESS**

*Condition:*

Gift cards from Wal-Mart ranging from \$20 to \$50 were purchased to be given to participants in the teen mother program. These cards were given to teen moms as incentives to attend and complete classes instructing them in how to care for themselves and their children. A gift card for \$2,000 was purchased from Lowes for the purpose of purchasing household supplies for teen moms.

*Criteria:*

The purchase of the gift cards circumvents the controls required by state statutes and the state audit rule. The funds affected did not include federal funds.

*Effect:*

The purchase of gift cards circumvented the purchase controls of the entity. The cards were subject to fraud and misuse by EPCOG staff.

*Cause:*

The staff member in charge of the teen mothers program simply purchased the cards for distribution. Management of EPCOG did nothing to get control of the gift cards and to control the distribution. The gift cards were not prohibited by the program source, as there was not program contract. The source was the United Way.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Recommendation:*

Gift cards are generally a bad idea and should be avoided. There should be a program contract from any program source whether it is federal, state or private.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**05-10 – TIME KEEPING RECORDS FOR FEDERAL RECORDS – SIGNIFICANT DEFICIENCY**

*Federal Program Information:*

Funding Agencies: U.S. Dept. of Labor, U.S. Dept. of Housing and Urban Development  
Titles: Workforce Investment Act – Cluster, HOME Investment Partnership Programs  
CFDA Numbers: 17.258, 17.259, 17.260, 14.239  
Award Period: unknown

*Condition:*

The time keeping records for federal programs were inconsistent and not timely for EPCOG staff. At best time keeping records for allocation were done once a quarter, but no adjustments were noted. Some instances indicate that time keeping was made to match the grant contract.

*Criteria:*

Federal program compliance requires accurate time keeping for those who work on federal programs for the purpose of allocating expenditures.

*Effect:*

EPCOG is at risk of inaccurate allocation of expenditures and could be out of compliance with federal programs.

*Cause:*

Time keeping records were not maintained on regular basis. Some time allocations were recorded to match the grant contract.

*Recommendation:*

It would be simpler for management to keep up with time worked for each payroll period. Time keeping would become a habit, employees would be mindful of their efforts, and the time keeping in federal program would be accurate.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-01 – BANK RECONCILIATIONS – MATERIAL WEAKNESS**

*Condition:*

During our review of bank reconciliations, the following weaknesses in internal control were noted:

- The EPCOG has not been reconciling their bank to their general ledger in a timely manner
- Several accounts were not reconciled at all
- There is no evidence of upper level management or Board review
- Bank reconciliation book balance did not tie to the general ledger for several accounts

*Criteria:*

Section 6-6-3 NMSA, 1978 discusses the need for the EPCOG to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

*Effect:*

Without reviewed and timely reconciled bank statements, the EPCOG has no assurance that all revenues and disbursements have been properly recorded.

*Cause:*

The EPCOG did not have policies and procedures in place to ensure bank statements are being reconciled and reviewed in a timely manner.

*Recommendation:*

The EPCOG's Accounting Policies and Procedures manual should contain explicit instructions for all accounting related matters, as well as detailed instructions on the storage of monthly schedules used for reconciliation purposes. Additionally, Board or management review should be implemented into the current Accounting Policies and Procedures.



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-02 – CHECK STOCK – MATERIAL WEAKNESS**

*Condition:*

The EPCOG did not take necessary precautions to safeguard its check stock. A review of the general ledger revealed several gaps in check sequence and while on site several blank checks were discovered in desks of former employees. This is especially problematic when considering MIP had open access and check signatures were stored in the system.

*Criteria:*

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its appendix require strong internal controls. SAS 115 requires the auditor to disclose weaknesses to management and the governing board.

*Effect:*

Having unsecured check stock significantly increases the opportunity for misappropriation of funds and/or for errors to go undetected.

*Cause:*

The EPCOG did not have policies and procedures in place to ensure check stock was properly safeguarded.

*Recommendation:*

Check stock should be kept in a locked location by someone who does not have access to the general ledger or check signing authorization.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**06-03 – MIP ACCESS – SIGNIFICANT DEFICIENCY**

*Condition:*

The EPCOG did not take necessary precautions to appropriately restrict access to its accounting software. This is especially problematic when considering check signatures were stored in the system and check stock was not appropriately safeguarded.

*Criteria:*

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its appendix require strong internal controls. SAS 115 requires the auditor to disclose weaknesses to management and the governing board.

*Effect:*

Having unrestricted access to the general ledger significantly increases the opportunity for misappropriation of funds and/or for errors to go undetected.

*Cause:*

The EPCOG did not have policies and procedures in place to ensure access to MIP was properly restricted.

*Recommendation:*

Access to the MIP system should be limited to responsible finance employees with secured passwords.

*Response*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-04 – LACK OF ADEQUATE DOCUMENTATION FOR EXPENDITURES – SIGNIFICANT DEFICIENCY**

*Condition:*

EPCOG's policy is to have a purchase order for all nonrecurring purchases, however, during our disbursements test work we noted the EPCOG did not have completed purchase orders before purchases were made. It is also required by the EPCOG for transfers between financial institutions to be approved by the proper management; however, transfers were not properly approved by management.

*Criteria:*

Section 6.20.2.17 of NMAC requires the EPCOG to establish and implement written policies and

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 at seq., NMSA 1978.

*Effect:*

Having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

*Cause:*

There was an oversight in the internal control process, and items were not authorized through a purchase order or proper approval before the purchase was made.

*Recommendation:*

It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

*Response*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-05 – LACK OF ADEQUATE APPROVAL FOR EXPENDITURES – SIGNIFICANT DEFICIENCY**

*Condition:*

EPCOG's policy is to have all purchase orders approved by the Executive Director or by the Chief Financial Officer in the Executive Director's absence or approval, however, during our disbursement testing we noted that proper approval of disbursements was not occurring on a consistent basis.

*Criteria:*

Section 6.20.2.17 of NMAC requires the EPCOG to establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 at seq., NMSA 1978.

*Effect:*

Having lack of authorization for purchases made increases the risk for misappropriation, budget over expending, or fraudulent activities.

*Cause:*

There was an oversight in the internal control process, and items were not authorized through a purchase order or proper approval before the purchase was made.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Recommendation:*

It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-06 – BACKUP DOCUMENTATION MISSING – SIGNIFICANT DEFICIENCY**

*Condition:*

EPCOG was unable to provide purchase orders, invoices, or checks for several of the 200 disbursements that were requested to test controls and compliance over disbursements. For single audit testing over controls and compliance over disbursements, the lack of supporting documentation led us to stop testing after five exceptions had been noted.

*Criteria:*

Disbursements should be accompanied by proper authorization and supporting documentation.

*Effect:*

While the EPCOG has established policies and procedures to help ensure that expenses and disbursements are authorized, some elements of the control process are not operating effectively. It is difficult to determine if management has approved or even reviewed supporting documentation and therefore opportunities may exist for the misappropriation of assets. In addition, problem and errors may not be identified and corrected at the earliest point possible

*Cause:*

EPCOG had several individuals pulling checks for review over the past few years which has resulted in some checks being lost. Also, EPCOG has experienced high turnover rates at positions responsible for tracking disbursement documentation.

*Recommendation:*

Policies regarding documentation retention should be reviewed and adhered to.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-07 – SEGREGATION OF DUTIES – CASH DISBURSEMENTS – MATERIAL WEAKNESS**

*Condition:*

During our testwork of cash disbursements we noted the following instances of a lack of appropriate segregation of duties.

The Accounts Payable Clerk performs all the duties and functions that are required for the cash disbursements process:

- The Accounts Payable Clerk receives the purchase order and prints the checks;
- The Accounts Payable Clerk has authority to have checks signed by the same system that prints the checks; and
- The Accounts Payable Clerk mails the checks.

*Criteria:*

Appropriate segregation of duties in cash disbursements is required to maintain proper and sufficient internal controls and properly report all expenditures as required by Section 6-6-3, NMSA 1978.

*Effect:*

Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, as well as increased risk of errors that may not be detected timely.

*Cause:*

Due to limited resources, the EPCOG relies on the expertise of one individual to perform many duties. Limited resources in the process noted above appear to result in a lack of segregation of duties.

*Recommendation:*

Develop a formal review process for the disbursement transaction cycle. Also, implement and document policies and procedures to maintain proper internal controls that include segregation of duties.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

on getting audits caught up.

**06-08 – LACK OF ADEQUATE DOCUMENTATION FOR CREDIT CARD EXPENDITURES  
– MATERIAL WEAKNESS**

*Condition:*

During our testing of credit card expenditures, we noted several instances in which the EPCOG did not have any documentation regarding the purchase.

*Criteria:*

Per Section 6-6-3, NMSA 1978, cash disbursements are required to be properly authorized and the EPCOG is required to provide supporting documentation.

*Effect:*

There could be instances of unauthorized purchases and abuse of public funds and they would go unnoticed.

*Cause:*

There is no supporting documentation for the credit card purchase.

*Recommendation:*

The EPCOG should attach purchase receipts to the payment vouchers. In addition, we recommend that one or two employees be assigned the responsibility to review credit card purchases for compliance as well as having the Board review the Executive Director's credit card monthly statements.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-09 – CAPITAL ASSETS – SIGNIFICANT DEFICIENCY**

*Condition:*

The EPCOG does not have a formal capital assets management policy. For the year ended June 30, 2008, the EPCOG had not maintained a capital asset listing that was reconciled to the general ledger and was not in compliance with the GASB 34 requirement to capitalize and depreciate infrastructure acquired for years ending in 2004 and thereafter.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Criteria:*

The EPCOG must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and NMSA 1978 Section 12-6-10.

*Effect:*

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be depreciated due to the lack of information that is being maintained. As a result, the financial statements of the EPCOG will be materially misstated due to the balances of capital assets and accumulated depreciation being materially misstated.

*Cause:*

Capital asset records have not been maintained or updated to ensure accuracy or accountability of the EPCOG's assets.

*Recommendation:*

The EPCOG must conduct a physical inventory of its capital assets in accordance with its capitalization policy and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the EPCOG in the determination of obsolete equipment. Finally, a complete capital assets inventory listing will be required to be completed by the EPCOG in order to be in compliance with GASB 34.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-10 – DEFICIENCIES IN INTERNAL CONTROL STRUCTURE DESIGN, OPERATION AND OVERSIGHT – MATERIAL WEAKNESS**

*Condition:*

Internal control structure design, operation, and design are not appropriate given the nature of the entity.

In addition, processes do not exist by which the EPCOG Board is made aware of key developments that may impact financial reporting. There are no procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise their level of understanding controls.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

Because of the deficiencies in the internal control design, operation, and oversight, there was not sufficient evidence for the auditors to give an opinion on the financial statements or on the compliance over federal grants.

*Criteria:*

The *Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

*Effect:*

Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:*

For the fiscal year 2008 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 115 to provide effective oversight of internal control and the financial reporting process.

*Recommendation:*

The EPCOG should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**06-11 – PAYROLL FUNCTION – SIGNIFICANT DEFICIENCY**

*Condition:*

During our testing of internal controls of payroll, we determined the following weaknesses were present throughout the year under audit:

- Hours worked per time sheet did not tie to hours paid
- Time sheets were not approved by members of management
- Wage rates are not consistently updated in employee files
- Missing I9 and W4's

*Criteria:*

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board. Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

*Effect:*

Because of the weaknesses cited in the "Condition" above, the risk for misappropriated funds and/or errors to go undetected is significantly higher especially when considering the weak control activities associated with safeguarding cash and the lack of monitoring of the bank account.

*Cause:*

For the fiscal year 2008 management did not have a documented policy to ensure payroll internal controls were in place and working properly.

*Recommendation:*

The EPCOG should document and adhere to proper payroll related internal control activities.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-12 – ALLOCATION OF SHARED COSTS – SIGNIFICANT DEFICIENCY**

*Federal Program Information:*

Funding Agencies: U.S. Dept. of Labor, U.S. Dept. of Housing and Urban Development  
Titles: Workforce Investment Act – Cluster, HOME Investment Partnership Programs

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

CFDA Numbers: 17.258, 17.259, 17.260, 14.239  
Award Period: unknown

*Condition:*

The EPCOG was unable to provide us with documentation that supported allocation of costs to multiple funding sources was based on benefits received. When attempting to verify how administrative staff time was allocated, we noted that staff timesheets do not contain any means of identifying the project or funding sources that staff works on. One of the methods EPCOG uses to allocate costs among funding sources is to use the first time sheet of each quarter to base staff time allocations for the remainder of the quarter. This methodology can only work if the exact time a staff person spends working on a funding source activity is being recorded on the time sheet.

Additionally, EPCOG utilizes a different methodology for allocating costs for equipment usage. This methodology requires allocations be based on elements like vehicle mileage, copies made, etc.; however, reviewers found that allocations were often spit equally amongst the funding sources.

*Criteria:*

OMB A-87 Attachment A, Subsection C(3)(a) provides that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

*Effect:*

This error may have caused a disproportionate amount of EPCOG's allocated costs to be charged to its grants.

*Cause:*

Although EPCOG has a Cost Allocation Plan (CAP) that was approved by its Executive Committee, we were unable to find any indication that it was being applied accurately or consistently.

*Recommendation:*

The EPCOG should ensure that its CAP is consistent with OMB A-87 and that allocations are completed accurately and consistently.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**06-13 – FINANCIAL GRANT MANAGEMENT – SIGNIFICANT DEFICIENCY**

*Condition:*

The EPCOG fiscal staff does not have a copy of all tools necessary for effective grant management.

Without a copy of applicable Office of Management and Budget (OMB) Circulars, Uniform Administrative Requirements and Cost Principles, EPCOG staff cannot be aware of the Federal requirements they are compelled by their agreement with EAWDB to follow.

*Criteria:*

20 CFR, §667.200 (a) (1) provides that except as provided in paragraphs (a)(3) through(6) of this section, State, local, and Indian tribal government organizations that receive grants or cooperative agreements under WIA title 1 must follow the common rule "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; which is codified at 29 CFR 97.

29 CFR 97.22 (b) provides that for each kind of organization, there is a set of Federal principles for determining allowable costs. Allowable costs will be determined in accordance with the cost principles applicable to the organization incurring the costs. For the costs of a State, local or Indian tribal government, use the principles in OMB Circular A-87 (now codified at 2 CFR 225).

*Effect:*

The lack of these tools for effective grant management has contributed to findings in areas such as cost allocation, allowable costs and financial reporting.

*Cause:*

The EPCOG did not have policies and procedures requiring the proper tools for grant management be made available to its employees.

*Recommendation:*

EPCOG should provide copies to appropriate management and staff of all the applicable Federal laws and regulations necessary for effective grant management.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**06-14 – BUDGET COMPARISON – SIGNIFICANT DEFICIENCY**

*Federal Program Information:*

Funding Agencies: U.S. Dept. of Labor, U.S. Dept. of Housing and Urban Development

Titles: Workforce Investment Act – Cluster, HOME Investment Partnership Programs

CFDA Numbers: 17.258, 17.259, 17.260, 14.239

Award Period: unknown

*Condition:*

EPCOG does not have a process in place to compare their budgeted to actual expenditures on a regular basis. Reviewers established that EPCOG:

- does not have a budget that is shared with the staff
- does not review its budget on a regular basis
- does not use the budget as a tool to determine fund utilization
- does not have a methodology to capture obligations in a timely manner

*Criteria:*

29 CFR 97.20 (b)(4) provides that actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

*Effect:*

Without periodic budget comparisons and the use of daily budget controls, obligations could exceed fund availability or funds could be under-spent.

*Cause:*

The EPCOG did not have policies and procedures in place requiring that budgeted expenditures be compared to actual expenditures on a regular basis.

*Recommendation:*

The EPCOG should develop and implement policies and procedures that ensure the program operates within budget and obligations are correctly charged and do not exceed fund availability.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-15 – REPORTING AND UTILIZING PROGRAM INCOME – SIGNIFICANT DEFICIENCY**

*Federal Program Information:*

Funding Agencies: U.S. Dept. of Labor, U.S. Dept. of Housing and Urban Development  
Titles: Workforce Investment Act – Cluster, HOME Investment Partnership Programs

CFDA Numbers: 17.258, 17.259, 17.260, 14.239  
Award Period: unknown

*Condition:*

EPCOG is not treating interest earned from regular formula grant funds as program income. In addition, no program income was reported through the financial reporting system and there is no documentation supporting that the interest income was used for grant activities

*Criteria:*

20 CFR 667.200 provides that interest income earned on funds received under WIA Title I must be included in program income and that program income be expended prior to the request for additional grant funds.

*Effect:*

EPCOG may have to make financial adjustments to its accounting records or refund any questioned costs of the grant

*Cause:*

The EPCOG was unaware of the requirement.

*Recommendation:*

The EPCOG should develop and implement policies and procedures that ensure program income is reported and expended appropriately.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**06-16 – ADMINISTRATIVE COSTS – SIGNIFICANT DEFICIENCY**

*Condition:*

EPCOG does not have a methodology for capturing actual administrative costs. The current method used is to capture direct administrative costs and then estimate the indirect costs up to the 10% administrative cost cap.

*Criteria:*

29 CFR 95.20 (b)(1) requires accurate, current, and complete disclosure of the financial results of financially assisted activities be made in accordance with the financial reporting requirements of the grant or subgrant. 20 CFR §667.220 provides that the cost of administration are those costs associated with general administrative functions which are not related to the direct provision of program services.

*Effect:*

EPCOG is unable to determine the actual amount of indirect administrative costs because its cost allocation methodologies are not being applied accurately or consistently

*Cause:*

The EPCOG's use of estimates to determine administrative costs does not allow EPCOG to ensure that only actual costs that benefit the grant are charged to the grant

*Recommendation :*

The EPCOG should develop and implement a methodology for capturing all administrative costs.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-17 – TRAVEL – SIGNIFICANT DEFICIENCY**

*Condition:*

During our review of travel disbursements, the following weaknesses in internal control were noted:

- Travel vouchers appear to be signed by requestor prior to reimbursement amounts being filled by the finance clerk.
- Personal vehicles were consistently used in lieu of agency vehicles with no explanation as to why agency cars were not used.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

- Travel advances were consistently paid at 100% rather than 80%.
- Arbitrarily provided a \$30 meal per diem for employees although 2.42.2 NMAC stipulates that *actual* meal costs may be reimbursed with receipts for up to \$30 a day. Employees were not required to submit receipts.
- Two instances of missing supporting documentation (\$1,565 for 2 conferences).
- Reimbursed for full day instead of partial day per diem.
- Travel vouchers were not authorized by appropriate personnel.
- On two occasions, overnight travel to Las Cruces was reimbursed as a “special area” despite 2.42.2 NMAC not designating Las Cruces as such (\$135 per diem rather than \$85).

*Criteria:*

In accordance with Section 10-8-1 to 10-8-8 NMSA 1978 (1995 Repl. Pamp.), 2.42.2 NMAC governs the payment of per diem rates and mileage and the reimbursement of expenses for all salaried and non-salaried public officers and employees of all state agencies and local public bodies

Additionally, OMB A-87, Attachment A, subsection C.1, provides that to be allowable under an award, costs must be necessary and reasonable for the proper and efficient performance and administration of the award, be allocable to the award, and be adequately documented

*Effect:*

Grant funds are not safeguarded and costs that are not necessary or beneficial to their respective grant are incurred.

*Cause:*

The EPCOG did not have adequate policies and procedures in place to ensure travel disbursements were necessary and reasonable for the proper and efficient performance and administration of the award.

*Recommendation :*

The EPCOG should review and adhere to New Mexico travel regulations.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**06-18 – JOURNAL ENTRIES – SIGNIFICANT DEFICIENCY**

*Condition:*

The EPCOG does not review or approve journal entries before they are posted into the general ledger.

*Criteria:*

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

*Effect:*

Many accounts could not be relied on leading to other issues and findings.

*Cause:*

The EPCOG did not have policies and procedures in place requiring that journal entries be reviewed and approved before being posted into the general ledger.

*Recommendation :*

The EPCOG should develop and implement policies for reviewing and approving journal entries. Ideally, the responsible official approving journal entries should initial and date entries before they are posted. Supporting documentation for approved journal entries should be kept by the EPCOG.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-19 – MONITORING OF GRANT REVENUE/EXPENDITURE ALLOCATIONS – SIGNIFICANT DEFICIENCY**

*Condition:*

Per our review of grant fund revenue and expenditure activity, it was determined that adequate review to ensure the matching concept for grant revenues and expenditures being posted to proper funds is not taking place.

*Criteria:*

Grants handled by the EPCOG are reimbursable and therefore revenue is recognized when expenditures are incurred.



**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Effect:*

Expenditures for specific grants are not being properly matched to their respective funding source.

*Cause:*

The EPCOG did not have policies and procedures in place to ensure expenditures for specific grants are being properly match to their respective funding source.

*Recommendation:*

We recommend a review of individual grant ledgers by funding source be reviewed on a monthly basis to ensure individual grant expenditures match individual grant revenues.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-20 – EMBEZZLEMENT OF TORNADO RELIEF FUNDS – MATERIAL WEAKNESS**

*Federal Program Information:*

Funding Agency: U.S. Dept. of Housing and Urban Development

Titles: HOME Investment Partnership Programs

CFDA Numbers: 14.239

Award Period: unknown

*Condition:*

During the year, it was noted that a former EPCOG employee had embezzled funds provided by HUD and the New Mexico Mortgage Finance Authority for tornado relief purposes. The former employee fabricated fraudulent applications for housing assistance money by creating false identities and using identities of people in the community who had received assistance in previous years. Using a fictitious name, the employee set herself up as a landlord and deposited federal funds into her personal bank account. Thirty-three fraudulent applications were found and at least \$145,000 was deemed to be stolen.

*Criteria:*

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board. Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

*Effect:*

Programs from entities such as HUD and the NMMFA pulled their funding from the EPCOG.

*Cause:*

Weak internal controls and lack of oversight over the tornado relief program led to embezzlement.

*Recommendation:*

Internal controls need to be strengthened in all areas to prevent future embezzlement.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

**06-21 – UNKNOWN BANK COLLATERAL – MATERIAL WEAKNESS**

*Condition:*

The EPCOG was unable to provide evidence that bank accounts are properly collateralized in accordance with State regulations.

*Criteria:*

Section 6-10-17 NMSA requires 50% collateral requirement for municipal monies deposited in each financial institution.

*Effect:*

The EPCOG is not following State Statutes concerning safekeeping of public monies.

*Cause:*

Due to high turnover and a general lack of internal controls and organization, the current staff was unable to locate collateral information.

*Recommendation:*

The EPCOG should maintain collateral requirements and keep the necessary paperwork on-hand.

*Response:*

The Eastern Plains Council of Governments understands the seriousness of these findings and has been working toward revising policies and procedures to address these issues as well as taking steps to begin working on determining beginning account balances. The accounting system is also being

**STATE OF NEW MEXICO  
EASTERN PLAINS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

looked at to change security and ensure proper reports are produced. Personnel in charge at that time are no longer employed with the organization. We understand that this will take significant amount of time to complete these tasks and are working to have a fresh start July 1, 2012 and continue to work on getting audits caught up.

***CURRENT YEAR FINDINGS***

NONE

An exit conference was held in a closed session on June 15, 2012, and the contents of this report were discussed. Present at the exit conference were:

Caleb Chandler	Board Chairperson
Wesley Shafer	Board Treasurer
Sandy Chancey	Executive Director
Odessa Hamilton	Accountant

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	Independent auditor, Hinkle + Landers, P.C.
Erick Robinson, CPA	Independent auditor, Hinkle + Landers, P.C.
Maclen Enriquez	Independent auditor, Hinkle + Landers, P.C.

### **PREPARATION OF FINANCIAL STATEMENTS**

The accompanying financial statements of the EPCOG have been prepared by Hinkle + Landers, P.C., the organization's independent public auditors; however, the financial statements are the responsibility of management.