

**REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.**

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
OFFICIAL ROSTER
June 30, 2008

Commissioners Appointed by Governor

Chairman	Silver Chavez	Guadalupe County Representative Santa Rosa, New Mexico
Vice-Chairman	Jake Lopez	Roosevelt County Representative Portales, New Mexico
Commissioner	Doyle Frasier	Quay County Representative Tucumcari, New Mexico
Commissioner	Waymon L Dowdy, Sr.	Roosevelt County Representative Clovis, New Mexico
Commissioner	Pete Callahan	Harding County Representative Mosquero, New Mexico
Commissioner	Robert Beck	Union County Representative Clayton, New Mexico

Executive Staff

Executive Director	Chris Herbert
Deputy Director	Irene Andazola
Finance Director	Olivia Cruz
Section 8 Supervisor	Carol Cheadle

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STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
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Year Ended June 30, 2008

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Executive Director and Board of Commissioners
Region IV Housing Authority, New Mexico, Inc.
Clovis, New Mexico

We were engaged to audit the accompanying financial statements of the business-type activities of Region IV Housing Authority, New Mexico, Inc. (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management.

The Authority has not maintained adequate accounting records. As explained further in Findings 2007-1 and 2007-2, the Authority lacks internal controls over its cash. Cash deposits cannot be traced back to the respective receipts. Documentation for expenses is substantively missing. As a result of these internal control problems the Authority has inadequate documentation to show that: all its revenue transactions and expenses that should have been recorded are recorded; that revenue amounts and related data were recorded appropriately; that revenue transactions and expenses that occurred have been recorded in the correct accounting period; or that revenue transactions and expenses have been recorded in the proper accounts. As a result of these internal control problems the Authority does not have adequate evidence that all cash transactions that should be recorded are recorded in its various funds. The Authority's records do not permit the application of other auditing procedures to its revenues, expenses and cash.

Because we were unable to obtain adequate supporting documentation for the Authority's revenues, expenses and cash, and we were not able to apply other auditing procedures to satisfy ourselves as to revenues, expenses and cash, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the basic financial statements of the business-type activities of the Region IV Housing Authority, New Mexico, Inc.

The accompanying basic financial statements referred to above have been prepared assuming Region IV Housing Authority, New Mexico, Inc. will continue as a going concern. As further discussed in Note 10 to the financial statements, the Authority has been combined with Region VI Housing Authority, New Mexico, Inc. to form a new entity, Eastern Regional Housing Authority, effective March 31, 2009.

The Authority has not presented the Management's Discussion and Analysis required by *Governmental Accounting Standards Board Statement (GASB) No. 34* that the GASB has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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.

We were engaged to audit for the purpose of forming opinions on the basic financial statements and budgetary comparisons presented as supplemental information. The accompanying financial information listed as supporting Schedules I and II in the table of contents, Schedule III, the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development, and Schedule IV, the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Due to the Authority's deficiencies in internal controls over the information presented in these schedules and the resulting lack of adequate documentation, we were not able to apply other auditing procedures to satisfy ourselves as to the information presented in these schedules, and the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether they are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
October 20, 2009

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2008

Exhibit A

ASSETS	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Total</u>
<i>Current Assets</i>			
Cash	\$ 575,009	\$ 5,838	\$ 580,847
Accounts receivable - tenants	1,734	-	1,734
Total Current Assets	<u>576,743</u>	<u>5,838</u>	<u>582,581</u>
<i>Restricted Assets</i>			
Replacement reserves/escrow deposits	-	300	300
Total Restricted Assets	<u>-</u>	<u>300</u>	<u>300</u>
<i>Other Assets</i>			
Land, structures and equipment, (Note 3)	-	307,777	307,777
Accumulated depreciation	-	(70,350)	(70,350)
Total Other Assets	<u>-</u>	<u>237,427</u>	<u>237,427</u>
 Total Assets	 <u>\$ 576,743</u>	 <u>\$ 243,565</u>	 <u>\$ 820,308</u>
 LIABILITIES AND NET ASSETS			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ 7,881	\$ 7,881
Accrued expenses	-	2,223	2,223
Escrow funds held for others	-	300	300
Current portion of debt and bonds payable (Note 4)	-	158,073	158,073
Total Current Liabilities	<u>-</u>	<u>168,477</u>	<u>168,477</u>
<i>Net Assets</i>			
Invested in capital assets, net of related debt	-	79,354	79,354
Restricted for:			
Replacement reserves/escrow deposits	-	300	300
Unrestricted	576,743	(4,566)	572,177
Total Net Assets	<u>576,743</u>	<u>75,088</u>	<u>651,831</u>
 Total Liabilities and Net Assets	 <u>\$ 576,743</u>	 <u>\$ 243,565</u>	 <u>\$ 820,308</u>

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

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2008

Exhibit B

	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Total</u>
<i>Operating revenues</i>			
Rent Income	\$ -	\$ 7,009	\$ 7,009
Miscellaneous income	361	4,774	5,135
<i>Total operating revenues</i>	<u>361</u>	<u>11,783</u>	<u>12,144</u>
<i>Operating expenses</i>			
Salaries, payroll taxes, and employee benefits	-	86,615	86,615
Management and administrative fees	-	105,256	105,256
Depreciation and amortization expense	-	12,965	12,965
Utilities	-	13,427	13,427
Maintenance	-	2,599	2,599
Office expenses	-	14,696	14,696
General expenses	1,016	5,243	6,259
Travel expenses	-	33,835	33,835
Professional fees	274,795	7,366	282,161
Rent expense	-	8,408	8,408
Repair and replacement	-	203	203
Insurance	-	880	880
<i>Total operating expenses</i>	<u>275,811</u>	<u>291,493</u>	<u>567,304</u>
<i>Operating income (loss)</i>	<u>(275,450)</u>	<u>(279,710)</u>	<u>(555,160)</u>
<i>Nonoperating revenues (expenses)</i>			
Government subsidies	2,021,593	274,771	2,296,364
Housing assistance payments	(1,602,780)	-	(1,602,780)
Other income	-	60,258	60,258
Interest income	-	-	-
Interest expense	-	(2,027)	(2,027)
	<u>418,813</u>	<u>333,002</u>	<u>751,815</u>
<i>Change in net assets</i>	<u>143,363</u>	<u>53,292</u>	<u>196,655</u>
Net assets, beginning of year	433,380	(107,326)	326,054
Prior period restatement	-	129,122	129,122
Net assets, beg of year as restated	<u>433,380</u>	<u>21,796</u>	<u>455,176</u>
Net assets, end of year	<u>\$ 576,743</u>	<u>\$ 75,088</u>	<u>\$ 651,831</u>

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

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Receipts from customers and users	\$ 895	\$ 287,094	\$ 287,989
Payment to and on behalf of employees	-	(91,940)	(91,940)
Payment to vendors	<u>(275,811)</u>	<u>(160,182)</u>	<u>(435,993)</u>
<i>Net cash provided (used) by operating activities</i>	<u>(274,916)</u>	<u>34,972</u>	<u>(239,944)</u>
<i>Cash flows from capital and related financing activities:</i>			
Principal payments on notes payable	-	(4,185)	(4,185)
Interest payments on notes payable	-	(2,027)	(2,027)
Purchase of capital assets	<u>-</u>	<u>(15,963)</u>	<u>(15,963)</u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>(22,175)</u>	<u>(22,175)</u>
<i>Cash flows from non-capital financing activities:</i>			
Government subsidies	<u>418,813</u>	<u>-</u>	<u>418,813</u>
<i>Net increase (decrease) in cash and temporary investments</i>	143,897	12,797	156,694
<i>Cash and temporary investments - beginning of year</i>	<u>431,112</u>	<u>(6,659)</u>	<u>424,453</u>
<i>Cash and temporary investments - end of year</i>	<u>\$ 575,009</u>	<u>\$ 6,138</u>	<u>\$ 581,147</u>

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

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

	<u>Section 8 Housing Program</u>	<u>Administrative Services Department</u>	<u>Total</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (275,450)	\$ (4,939)	\$ (280,389)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation and amortization	-	12,965	12,965
(Increase) decrease in:			
Accounts receivable - tenants	534	540	1,074
Due from EPCOG	-	46,250	46,250
Increase (decrease) in:			
Accounts payable	-	(14,509)	(14,509)
Accrued expenses	-	(5,335)	(5,335)
<i>Net cash provided (used) by operating activities</i>	<u>\$ (274,916)</u>	<u>\$ 34,972</u>	<u>\$ (239,944)</u>
 Cash and temporary investments:			
Cash	\$ 575,009	\$ 5,838	\$ 580,847
Restricted Assets	-	300	300
 Total cash and temporary investments	<u>\$ 575,009</u>	<u>\$ 6,138</u>	<u>\$ 581,147</u>

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

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STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies

The *Region IV Housing Authority, New Mexico, Inc.* (the Authority) was created pursuant to the Regional Housing Law of the State of New Mexico and exists to provide decent, safe and sanitary housing for lower income residents of DeBaca, Curry, Roosevelt, Union, Harding, Quay and Guadalupe Counties. The Region IV Housing Authority, New Mexico, Inc. was incorporated on October 27, 2005. Eastern Plains Housing Development Corporation (EPHDC) was Region IV Housing Authority, New Mexico, Inc.'s fiscal agent from July 1, 2007 to May 8, 2008. Regional Housing Authority of Region VI Housing Authority, New Mexico, Inc. became Region IV Housing Authority, New Mexico, Inc.'s fiscal agent from May 8, 2008 to June 30, 2008. The Authority's Administrative Services Department is dependent upon administrative fees from the U.S. Department of Housing and Urban Development ("HUD") Section 8 programs.

A. Financial Reporting Entity

The Authority's combined financial statements include all of the Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting, include whether: (1) the organization is legally separate (can sue and be sued in their own name), (2) the Authority holds the corporate powers of the organization, (3) the Authority appoints a voting majority of the organization's board, (4) the Authority is able to impose its will on the organization, (5) the organization has the potential to impose a financial/benefit/burden on the Authority, (6) there is a fiscal dependency by the organization of the Authority. Based on the aforementioned criteria, the Authority determined it had no component units.

Programs and Developments

The Authority participates in rental assistance programs which include:

- a. *Section 8 Housing Voucher Program* is a rent subsidy program funded by HUD. The subsidy is equal to the difference between a payment standard based on HUD published fair market rents and a percentage of the tenant's adjusted monthly income. Monthly rent subsidies for approximately 565 tenants were provided for during the year ended June 30, 2008.
- b. *Administrative Services Department* of the Authority provides support to the above listed program for which it receives management and/or administrative fees.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of revenues, expenses, and changes in fund net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Business-type activities* rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

B. *Government-wide and fund financial statements* (continued)

All of the Authority's programs are accounted for as business-type activities for financial reporting purposes. Major individual proprietary funds are reported as separate columns in the fund financial statements. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Proprietary designations are used to account for activities (a) which are financed with debt that is solely secured by a pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs. The Authority has elected to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989. The Authority follows all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989, unless they conflict with GASB pronouncements.

C. *Measurement focus, basis of accounting, and financial statement presentation*

The economic resources measurement focus and the accrual basis of accounting are utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government reports all proprietary funds as major funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's proprietary funds (including administrative fees paid to the Administrative Services Department from the other programs), and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are Section 8 rent vouchers. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities, and Net Assets or Equity*

Revenue Recognition

The Authority has entered into annual contributions contracts with HUD to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly contributions for housing assistance payments and administration fees for the Section 8 program. Such contributions are reflected as government subsidies revenue in the accompanying financial statements.

Deposits and Investments

The Authority considers cash in operating bank accounts, cash on hand and all highly liquid debt instruments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury, certified financial institution time deposits, and New Mexico political subdivision obligations. Invested funds of the Authority properly followed State investment requirements as of June 30, 2008.

Investments for the Authority are reported at fair value.

Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts receivable and accounts payable relate to operating trade activities.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets

Certain resources set aside for the repayment of security deposits held as insurance against the non-payment for services rendered are classified on the balance sheet as restricted because their use is limited. Assets held in replacement reserves and other escrows as required by bond indenture agreements are classified as restricted.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities, and Net Assets or Equity (continued)*

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. State law sets a capitalization threshold of \$5,000 for acquisitions of capital assets. Capital assets, which include property, plant, equity and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government-wide statements. However, the Authority does not construct or maintain infrastructure assets, accordingly, the Authority is not subject to this provision of GASB Statement No. 34. Information Technology Equipment including software is being capitalized in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Two rental houses acquired under a court order are valued at the tax valuation amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during the current fiscal year was \$2,027. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings	20
Equipment	5
Vehicles	5
Software	5

Accrued Expenses

Accrued expenses include payroll and related taxes incurred but not paid by the end of the fiscal year.

Budgetary Information

The budgets are not legally required and are not prepared for the Authority.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 1 Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities, and Net Assets or Equity (continued)*

Deferred Revenues

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended are shown as deferred revenues.

Revenues and expenses

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services paid by grantor agencies. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Allocation of Expenses

For purposes of the statement of revenues, expenses and changes in fund net assets, payroll taxes and fringe benefits were allocated to operations and administration based on direct salaries.

Estimates

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

Components of Net Assets

Components of net assets include the following:

1. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted net assets include net assets that are subject to constraints on their use by creditors, grantors, and the bond indentures. These are the replacement reserves and the bond escrow accounts.
3. Unrestricted net assets are available for general use by the Authority for any obligation or expense.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 2 Deposits and Investments

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the Authority. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in the aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that the government's deposits may not be returned to it in the event of a bank failure. The Authority does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits. As of June 30, 2008, \$506,904 of the Authority's bank balance of \$620,904 was exposed to custodial credit risk as follows:

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 2 Deposits and Investments (continued)

	Wells Fargo Bank	Bank of Clovis	Total
Total amount of deposit	\$ 291,755	\$ 329,149	\$ 620,904
FDIC coverage	(14,000)	(100,000)	(114,000)
Total uninsured public funds	<u>277,755</u>	<u>229,149</u>	<u>506,904</u>
Pledged collateral held by pledging institution or by its trust department or agent in other than the Authority's name	<u>277,755</u>	<u>229,149</u>	<u>506,904</u>
Uninsured and uncollateralized	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Collateral requirement (50% of uninsured Public funds)	\$ 138,877	\$ 114,575	\$ 253,452
Pledged securities	<u>361,441</u>	<u>575,735</u>	<u>937,176</u>
Over (under) collateralization	\$ <u><u>222,564</u></u>	\$ <u><u>461,160</u></u>	\$ <u><u>683,724</u></u>

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to securities of the United States, its agencies or instrumentalities; securities of the State of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions; securities, including student loans, that are guaranteed by the United States or the State of New Mexico; revenue bonds that are underwritten by a member of the national association of securities dealers, known as N.A.S.D, and are rated "BAA" or above by a nationally recognized bond rating service; or letters of credit issued by a federal home loan bank.

The carrying amount of deposits and investments shown above are included in the Authority's statement of net assets as follows:

Carrying amount		
Deposits	\$	580,917
Petty cash		230
	\$	<u>581,147</u>
Included in the following statement of net assets captions		
Cash	\$	580,847
Restricted cash		300
	\$	<u><u>581,147</u></u>

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 3 Capital Assets

The following summarizes capital assets at June 30, 2008:

	Balance July 1, 2007	Transfers/ Additions	Transfers/ Deletions	Balance June 30, 2008
Land	\$ 20,000	\$ 4,104	\$ -	\$ 24,104
Total capital assets not being depreciated	<u>20,000</u>	<u>4,104</u>	<u>-</u>	<u>24,104</u>
Vehicles	27,001	15,963	-	42,964
Equipment	17,701	-	-	17,701
Misc.	5,969	-	-	5,969
Building	150,000	56,154	-	206,154
Software	<u>10,885</u>	<u>-</u>	<u>-</u>	<u>10,885</u>
Total assets being depreciated	<u>211,556</u>	<u>72,117</u>	<u>-</u>	<u>283,673</u>
Total Land, Structures, and Equipment	<u>231,556</u>	<u>76,221</u>	<u>-</u>	<u>307,777</u>
Less accumulated depreciation-			-	
Vehicles	(27,001)	(1,884)	-	(28,885)
Equipment	(17,701)	-	-	(17,701)
Misc.	(5,969)	-	-	(5,969)
Building	(5,625)	(8,904)	-	(14,529)
Software	<u>(1,089)</u>	<u>(2,177)</u>	<u>-</u>	<u>(3,266)</u>
Total accumulated depreciation	<u>(57,385)</u>	<u>(12,965)</u>	<u>-</u>	<u>(70,350)</u>
Capital assets, net	<u>\$ 174,171</u>	<u>\$ 63,256</u>	<u>\$ -</u>	<u>\$ 237,427</u>

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 4 Long-term Debt and Bonds Payable

Long-term debt and bonds payable of the Authority's respective programs at June 30, 2008 are summarized as follows:

Line of Credit, maturity 10/19/08	\$	12,815
The purpose of the loan was to meet current expenses.		
Notes Payable - Building Note, 0% interest, maturity 6/16/11		50,000
The purpose was to purchase the office building for Region IV. The building is used as collateral for the loan.		
Due to Region III, 0% interest, no stated maturity		95,258
The purpose of the loan was to meet current expenses.		
		158,073
Less current portion of long term debt		(158,073)
Total Long-term Debt	\$	-

The following summarizes the changes in long-term debt during the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Line of Credit	\$ 17,000	\$ -	\$ 4,185	\$ 12,815	\$ 12,815
Note Payable – Building	50,000	-	-	50,000	50,000
Due to Region III	95,258	-	-	95,258	95,258
Total Long-Term Debt	\$ 162,258	\$ -	\$ 4,185	\$ 158,073	\$ 158,073

Annual debt service requirements to maturity for Administrative Services Department line of credit is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 12,815	\$ -	\$ 12,815
Totals	\$ 12,815	\$ -	\$ 12,815

Annual debt service requirements to maturity for Administrative Services Department Note Payable – Building is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ 50,000	\$ -	\$ 50,000
Totals	\$ 50,000	\$ -	\$ 50,000

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 4 Long-term Debt and Bonds Payable (continued)

Annual debt service requirements to maturity for Administrative Services Department debt to Region III outstanding as of June 30, 2008 is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2009	\$ <u>95,258</u>	\$ <u>-</u>	\$ <u>95,258</u>
Totals	\$ <u>95,258</u>	\$ <u>-</u>	\$ <u>95,258</u>

Note 5 Retirement Plan

During the year Region IV Housing Authority, New Mexico, Inc. employees were classified under Eastern Plains Housing Development Corporation (EPHDC). EPHDC handled the entire payroll for Region IV Housing Authority, New Mexico, Inc. The Authority was charged a fee of approximately 3 percent of payroll to process their payroll. These records could not be verified because the Authority's payroll was mixed with EPHDC's payroll. The payroll expense and related benefits for the Authority were allocated to Region IV Housing Authority, New Mexico, Inc. from EPHDC.

The employees working for Region IV Housing Authority, New Mexico, Inc. were classified under EPHDC and followed EPHDC's policies and procedures. These employees did not participate in the Public Employees Retirement Association (PERA). These employees received retirement benefits with ICMA Retirement Corporation. The employees working for Region IV Housing Authority, New Mexico, Inc. did not receive compensated absences or accrued leave through the Authority. This was all done through EPHDC.

Note 6 Risk Management

Region IV Housing Authority, New Mexico, Inc. did not have insurance coverage from July 1, 2007 through April 2008. Insurance was acquired in May 2008 when Region VI Housing Authority, New Mexico, Inc. became the fiscal agent for Region IV Housing Authority, New Mexico, Inc. Below are the details of this coverage.

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority is insured through the Risk Management Division of the General Services Department which is accounted for as an internal service fund of the State of New Mexico. In general, the Risk Management Division responds to suits against the State of New Mexico and state agencies, manages funds to provide unemployment compensation, tort liability insurance, worker's compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of the Risk Management Division were not available and are not included in this report. However, the Authority is not liable for more than the premiums paid.

Note 7 Concentrations

59% of the Authority's revenue is derived from grants from the U.S. Department of Housing and Urban Development. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Authority.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2008

Note 8 Contingencies

Amounts received or receivable from grantor 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 applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Note 9 Prior Period Restatement

It was determined that there was not a liability payable to HUD from the prior year. The balance has been restated by \$129,122 in the current year to correctly reflect the current Statement of Net Assets.

Note 10 Going Concern/Subsequent Event

On March 31, 2009 the New Mexico Legislature restructured the Regional Housing Authorities. Region IV Housing Authority, New Mexico, Inc. and Region VI Housing Authority, New Mexico, Inc. were combined to form Eastern Regional Housing Authority. The two housing authorities continued to operate as two separate entities until July 1, 2009 when all operations were combined.

Note 11 Subsequent Pronouncements

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Authority is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Authority is analyzing the effect that this standard will have on the financial statements.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2008

Schedule I

<u>Depository</u>	<u>Type</u>	<u>CUSIP #</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2008</u>	<u>Name and Location of Safekeeper</u>
Plains Capital Bank	Bond	31371KV40	FNMA 254535 Due 10/01/2012	\$ 117,404	Citizens Bank of Clovis Clovis, New Mexico
Plains Capital Bank	Bond	31371GTQ3	FNMA 251759 Due 5/1/2013	102,416	Citizens Bank of Clovis Clovis, New Mexico
Plains Capital Bank	Bond	31331VAX4	FFCB Due 9/29/2020	355,915	Citizens Bank of Clovis Clovis, New Mexico
				<u>575,735</u>	
Wells Fargo Bank	Bond	31371NNV3	FNCL 257004 Due 10/01/37	67,500	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	Bond	31409CV69	FNCL 867437 Due 5/01/36	61,058	Wells Fargo Bank San Francisco, California
Wells Fargo Bank	Bond	31409CV69	FNCL 867437 Due 5/01/36	232,883	Wells Fargo Bank San Francisco, California
				<u>361,441</u>	
Total Collateral Pledged				<u>\$ 937,176</u>	

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
SCHEDULE OF DEPOSITS
June 30, 2008

Schedule II

Account Name	Type	Cash on Hand	Wells Fargo Bank	Bank of Clovis	Total
Sec 8 Housing Voucher	Checking	\$ -	\$ 282,351	\$ -	\$ 282,351
Sec 8 Housing Voucher	Checking	-	-	328,149	328,149
Miscellaneous Rent	Checking	-	942	-	942
Sec 8 Administrative Fees	Checking	-	8,162	-	8,162
Sec 8 Administrative Fees	Checking	-	-	1,000	1,000
Clovis Security Deposit	Checking	-	300	-	300
Petty cash		230	-	-	230
Amounts on deposit		230	291,755	329,149	621,134
Outstanding items		-	(8,762)	(31,225)	(39,987)
		<u>\$ 230</u>	<u>\$ 282,993</u>	<u>\$ 297,924</u>	<u>\$ 581,147</u>

Reconciliation to the Statement of Net Assets:

Cash	\$ 580,847
Replacement reserve/escrow deposits	<u>300</u>
	<u>\$ 581,147</u>

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

Schedule III
(Page 1 of 4)

PHA: NM064 FYED: 06/30/2008

Line Item No.	Account Description	Housing Choice Vouchers	Business Activities	Total
111	Cash - Unrestricted	\$ 575,009	\$ 5,838	\$ 580,847
113	Cash - Other Restricted	-	-	-
114	Cash - Tenant Security Deposits	-	300	300
100	Total Cash	575,009	6,138	581,147
126	Accounts Receivable - Tenants - Dwelling Rents Allowance for Doubtful Accounts - Dwelling	1,734	-	1,734
126.1	Rents	-	-	-
129	Accrued Interest Receivable Total Receivables, net of allowances for	-	-	-
120	doubtful accounts	1,734	-	1,734
131	Investments - Unrestricted	-	-	-
132	Investments Restricted Investments - Restricted for Payment of Current	-	-	-
135	Liabilities	-	-	-
144	Interprogram Due From	-	-	-
150	Total Current Assets	576,743	6,138	582,881
161	Land	-	24,104	24,104
162	Buildings	-	206,154	206,154
163	Furniture, Equipment & Machinery - Dwellings	-	77,519	77,519
166	Accumulated Depreciation Total Fixed Assets, Net of Accumulated	-	(70,350)	(70,350)
160	Depreciation Notes, Loans, & Mortgages Receivable - Non	-	237,427	237,427
171	Current	-	-	-
174	Other Assets	-	-	-
180	Total Non-Current Assets	-	237,427	237,427
190	Total Assets	576,743	243,565	820,308

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

Schedule III
(Page 2 of 4)

PHA: NM064 FYED: 06/30/2008

Line Item No.	Account Description	Housing Choice Vouchers	Business Activities	Total
312	Accounts Payable < = 90 Days	\$ -	\$ 7,881	\$ 7,881
321	Accrued Wage/Payroll Taxes Payable	-	2,223	2,223
	Accrued Compensated Absences - Current			
322	Portion	-	-	-
325	Accrued Interest Payable	-	-	-
341	Tenant Security Deposits	-	300	300
342	Deferred Revenues	-	-	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-
	Current Portion of Long-term Debt - Operating			
344	Borrowings	-	158,073	158,073
345	Other Current Liabilities	-	-	-
347	Interprogram Due To	-	-	-
310	Total Current Liabilities	-	168,477	168,477
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	-	-	-
	Long-term Debt, Net of Current - Operating			
352	Borrowings	-	-	-
353	Noncurrent Liabilities - Other	-	-	-
350	Total Noncurrent Liabilities	-	-	-
300	Total Liabilities	-	168,477	168,477
508	Total Contributed Capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt		79,354	79,354
511	Total Reserved Fund Balance	-	-	-
511.1	Restricted Net Assets		300	300
512.1	Unrestricted Net Assets	576,743	(4,566)	572,177
513	Total Equity/Net Assets	576,743	75,088	651,831
600	Total Liabilities and Equity/Net Assets	576,743	243,565	820,308

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

Schedule III
(Page 3 of 4)

PHA: NM064 FYED: 06/30/2008

Line Item No.	Account Description	Housing Choice Vouchers	Business Activities	Total
703	Net Tenant Rental Revenue	\$ -	\$ 7,009	\$ 7,009
704	Tenant Revenue - Other	-	-	-
705	Total Tenant Revenue	-	-	-
706	HUD PHA Operating Grants	418,813	-	418,813
708	Other Government Grants	-	-	-
711	Investment Income - Unrestricted	-	-	-
712	Mortgage Interest Income	-	-	-
714	Fraud Recovery	350	-	350
715	Other Revenue	11	339,803	339,814
716	Gain/Loss on Sale of Fixed Assets	-	-	-
720	Investment Income - Restricted	-	-	-
700	Total Revenue	419,174	346,812	765,986
911	Administrative Salaries	-	86,615	86,615
912	Auditing Fees	-	-	-
913	Outside Management Fees	274,795	28,214	303,009
914	Compensated Absences	-	-	-
915	Employee Benefit Contributions - Administrative	-	-	-
916	Other Operating - Administrative	-	-	-
931	Water	-	1,034	1,034
932	Electricity	-	1,786	1,786
933	Gas	-	-	-
938	Other Utilities Expense	-	10,607	10,607
941	Ordinary Maintenance and Operations - Labor Ordinary Maintenance and Operations -	-	-	-
942	Materials and Other	-	2,802	2,802
961	Insurance Premiums	-	880	880
962	Other General Expenses	1,016	146,590	147,606
964	Bad Debt - Tenant Rents	-	-	-
967	Interest Expense	-	2,027	2,027
969	Total Operating Expenses	275,811	280,555	556,366
	Excess Operating Revenue over Operating			
970	Expenses	143,363	66,257	209,620
971	Extraordinary Maintenance	-	-	-
973	Housing Assistance Payments	-	-	-
974	Depreciation Expense	-	12,965	12,965
975	Fraud Losses	-	-	-
900	Total Expenses	275,811	293,520	569,331
1001	Operating Transfers In	-	-	-
1002	Operating Transfers Out	-	-	-
1010	Total Other Financing Sources (Uses)	-	-	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	143,363	53,292	196,655

See accompanying independent auditor's report.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

Schedule III
(Page 4 of 4)

PHA: NM064 FYED: 06/30/2008

Line Item No.	Account Description	Housing Choice Vouchers	Business Activities	Total
1102	Debt Principal Payments - Enterprise Funds	\$ -	\$ -	\$ -
1103	Beginning Equity	433,380	(107,326)	326,054
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	129,122	129,122
1120	Unit Months Available	6,780	-	6,780
1121	Number of Unit Months Leased	4,299	-	4,299
1117	Administrative Fee Equity	-	-	-
1118	Housing Assistance Payments Equity	576,743	-	576,743

See accompanying independent auditor's report.

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COMPLIANCE AND FEDERAL FINANCIAL ASSISTANCE

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

Hector H. Balderas
New Mexico State Auditor
Office of Management and Budget
Executive Director and Board of Commissioners
Region IV Housing Authority, New Mexico, Inc.
Clovis, New Mexico

We were engaged to audit the financial statements of the business-type activities, of Region IV Housing Authority, New Mexico, Inc. (the Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 20, 2009. Due to the Authority's deficiencies in internal controls and the lack of adequate documentation, the scope of our work was not sufficient to enable us to express, and we did not express, opinions on these opinion units.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2004-2, 2004-4, 2004-5, 2007-1, 2007-2, 2008-2, 2008-3, 2008-4 and 2008-5 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2004-2, 2004-4, 2004-5, 2007-1, 2007-2, 2008-5 to be material weaknesses.

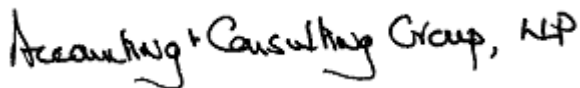
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2008 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2008-1, 2008-6, 2008-7, 2008-8, and 2008-9.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Commissioners, the Office of the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
October 20, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
Executive Director and the Board of Commissioners
Region IV Housing Authority, New Mexico, Inc.
Clovis, New Mexico

Compliance

We were engaged to audit the compliance of Region IV Housing Authority, New Mexico, Inc. (the Authority) 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. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management.

We were unable to obtain sufficient documentation supporting the compliance of the Authority with Section 8 Housing Choice Vouchers compliance requirements (Activities Allowed or Unallowed, Eligibility, Reporting and Special Test and Provisions) and we were not able to satisfy ourselves as to the Authority's compliance with those requirements by other auditing procedures.

We do not express an opinion on the Authority's compliance with requirements referred above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

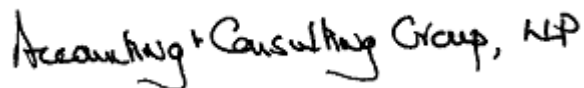
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness as defined as below. However, as discussed below,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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-4 and 2004-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider all of the findings listed in the control deficiencies described in the paragraph above to be material weaknesses.

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

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



Accounting & Consulting Group, LLP
Certified Public Accountants

Carlsbad, New Mexico
October 20, 2009

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Schedule IV

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Direct Programs:			
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Voucher Program	(1) 14.871	N/A	\$ <u>2,296,364</u>
Total expenditures of federal awards			\$ <u><u>2,296,364</u></u>

Notes to Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 of the Authority's financial statements. 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*. Expenditures related to federal awards have been included in various categories in the Statement of Revenues, Expenses and Changes in Fund Net Assets. During the year ended June 30, 2008 there were no federal awards expended in the form of non-cash assistance and there were no loans or loan guarantees outstanding.

(1) Denotes Major Federal Financial Assistance Program

See accompanying independent auditor's report.

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STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

Schedule V

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? x Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es): x Yes No

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? x Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es): x Yes No

Type of auditor's report issued on compliance for major programs Disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? x Yes No

Identification of major programs:

CFDA Number(s)

14.871

Name of Federal Program or Cluster

Section 8 Housing Voucher Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes x No

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY,
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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B. FINDINGS—FINANCIAL STATEMENT AUDIT

2007-1: Lack of Supporting Documentation for Expenditures

Condition

During our testwork of expenditures, we noted the following:

- Two of the travel and per diem disbursements (totaling \$121) out of a total of five travel and per diem disbursements tested (totaling \$248) were missing supporting documentation.
- Two of the credit card payments tested (totaling \$792) out of a total of three (totaling \$812) credit card payments tested did not have supporting documentation.

Criteria

Sound accounting practices require that the entity maintain vendor invoice, along with all supporting documents, for items procured, so that verification of correct payment may be ascertained. New Mexico Procurement Code 13-1-1 to 13-1-99, NMSA 1978, states that payments must be supported by valid receipts and that payments may only be made for valid charges.

Effect

Not having the supporting documentation may result in payments being made for goods or services that were not received or that do not meet specifications.

Cause

Documentation could not be located. It appears that documentation may have been misplaced or lost when the documentation was transferred between Authority's fiscal agents and then ultimately to the Authority.

Recommendation

We recommend that all purchase documents are approved, have attached invoices, and/or other appropriate supporting documentation and certify that goods/services were received before payment is made. Sufficient retention should be maintained for all purchase documents.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

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2007-2: Insufficient Record Keeping

Condition

During our field work we noted the following deficiency in internal controls caused by the lack of proper documentation of transactions which could adversely effect the Authority's ability to safeguard its assets, properly record financial transactions, and ensure compliance with laws, regulations, contracts and agreements.

- In general, documentation was found to be substantially missing.
- Cash receipts lacked supporting documentation.
- Travel and per diem disbursements were missing supporting documentation.
- Could not determine if 1099's had been issued for contract labor.
- Credit card payments were missing supporting documentation.
- Support documentation for the bids could not be located.
- 941 reports were missing or never filed.
- Poor maintenance of tenant files.
- General Ledger had to be rekeyed by the accounting staff of Region VI Housing Authority, New Mexico, Inc.

Criteria

Per SAS AU 110.03, 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 assertions embodied in the financial statements. Per SAS AU 325.32, some examples of deficiencies in the design of controls are: inadequate design of internal control over a significant account or process; inadequate documentation of the components of internal control; insufficient control consciousness within the organization, for example, the tone at the top and the control environment; absent or inadequate segregation of duties within a significant account or process; absent or inadequate controls over the safeguarding of assets; inadequate design of monitoring controls used to assess the design and operating effectiveness of the entity's internal control over time; the absence of an internal process to report deficiencies in internal control to management on a timely basis.

Effect

The lack of proper internal control places the Authority's accounting records at risk for containing material misstatements that are not detected and corrected timely. The Authority's accounting activity cannot be verified without the underlying documentation to support the Authority's spending. Since the transactions for the entire year were rekeyed by personnel of Regional Housing Authority of Region VI, New Mexico, Inc. that had no knowledge of the underlying transactions, the General Ledger may not be accurate in the absence of supporting documentation.

Cause

The Authority does not have a written control policy to prevent or detect the misappropriation of assets. The filing system is inefficient. Personnel are not adequately trained regarding internal controls. Personnel were not adequately trained regarding the accounting functions.

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2007-2: Insufficient Record Keeping (continued)

Recommendation

We recommend that the governing body approve internal control policies and procedures documented by the Authority and submitted to the governing body for approval.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

2008-1: Late Submission of Audit Report

Condition

The June 30, 2008, audit report was submitted to the State Auditor after the September 30, 2008 deadline. The report was received at the Office of the State Auditor on October 27, 2009.

Criteria

In accordance with State Auditor Rule 2.2.2.9.A, the audited financial statements are due by September 30, 2008.

Effect

Those relying on audited financial statements did not have any reports available for their decision making process. The New Mexico Legislature did not have audited financial statements to facilitate legislative decisions related to the Authority.

Cause

The Authority had been more than four years behind on having a financial audit. They are currently in the process of becoming current on their audits, but are still behind.

Recommendation

The Authority should make a good faith effort to become current and then remain on schedule in regards to financial audit.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

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2008-2: Preparation of Financial Statements

Condition

The financial statements and related disclosures are not being prepared by the Authority.

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause

The Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Recommendation

We recommend Authority management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

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2008-3: Laptop Security

Condition

During our audit, we noted that the Authority's laptop computers used in remote offices are not encrypted.

Criteria

Paragraph 4.1.3 of the State of New Mexico Statewide Policy S-STD-002-003 II Security Policy states that procedures shall be established to ensure that data/information contained in electronic transactions is protected via (1) identification, authentication, and authorization, (2) encryption: and (3) electronic signature, as necessary.

Effect

An unexpected occurrence could compromise the Authority's legal requirements pertaining to confidentiality, privacy, and accessibility of data/information contained in electronic transactions.

Cause

The Authority has not properly encrypted information contained on the Authority's laptop computers.

Recommendation

The Authority should encrypt all data/information contained on all laptop computers used in remote offices.

Agency Response

All laptops will be encrypted to comply with the above mentioned regulations.

2008-4: Information Technology Policy

Condition

During our audit, we noted that the Authority does not have a written IT policy which is communicated to and signed by all employees and contractors. It was also noted that employees were not required to change their passwords to the network or software programs on a regular basis.

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2008-4: Information Technology Policy (continued)

Criteria

Paragraph 4.1 of the State of New Mexico Statewide Policy S-STD-011.001 Personnel Security states agencies shall establish and document personnel security policies as well as related procedures that show clear accountability for security administration. Policies and procedures shall be applied to every existing state employee and contractor, as well as to new state employees and contractors, in order to prevent potential unauthorized access to and misuse of sensitive and confidential information. Policies and procedures shall be made available to all state employees and contractors and should be signed to indicate acceptance and understanding.

Paragraph 4.2 of the State of New Mexico Statewide Policy S-STD-004-001 Account Management Standard states that agencies shall establish, document, and communicate a policy requirement that accountability for actions taken on an information technology (IT) resource (e.g. computer system, agency or state application system, etc.) belongs to the owner of the specific user ID under which these actions take place.

Effect

The Authority has the potential for unauthorized access to and misuse of sensitive and confidential information.

Cause

The Authority has not communicated its IT policy and procedures to all employees on a regular basis, nor has it required a documented response from employees indicating the employees understanding and acceptance of the policy and procedures.

Recommendation

The Authority should establish and document personnel security policies. These policies should include accountability for security administration. The written policy when established should be signed and dated annually by each employee and contractor who has access to the IT system. The Authority should also have this IT policy signed by any new employees. In addition, the Authority should also have their computer system updated to enable employees to change their passwords on a regular basis.

Agency Response

We will comply with the above mentioned recommendation for an IT security policy.

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2008-5: Missing Documentation - Receipts

Condition

During our examination of receipting process, we noted that ten out of ten (totaling \$73,407) receipts tested lacked any kind of supporting documentation other than the bank statement.

Criteria

Sound accounting practices require that the entity maintain records along with all other supporting documents, for receipts so that verification of correct receipt may be ascertained.

Effect

If there is a dispute of how much money was deposited there is no way to resolve the discrepancy.

Cause

Prior management of the Authority did not retain the appropriate documentation.

Recommendation

We recommend that the Authority acquire and retain documentation to support all receipts of the Authority.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

2008-6: Lack of Documentation - Bids

Condition

During our examination of the procurement process we noted one out of one bid tested totaling \$54,000, the Authority was unable to provide necessary supporting documentation required by 13-1-104, NMSA 1978.

Criteria

Section 13-1-104, NMSA 1978, states Central purchasing offices shall send copies of the notice or invitation for bids involving the expenditure of more than \$20,000 to those businesses that have signified in writing an interest in submitting bids for particular categories of items of tangible personal property, construction and services and they have paid any required fees. The documentation of these requirements should be kept by the entity in an organized and complete manner, and in a way that is readily available for examination.

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2008-6: Lack of Documentation – Bids (continued)

Effect

The Authority could be sued for noncompliance with NM Procurement Code bid process and does not have adequate documentation to verify its procurement process.

Cause

The Authority did not have complete and organized documentation for the bid.

Recommendation

We recommend that the Authority implement the required bidding process and that bid files include a copy of the contract specifications, the ad placed in newspapers with date, copies of the bid received, copy of the award letter, and other items as needed.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

2008-7: PERA

Condition

During our examination of the payroll process we noted that PERA was not withheld or submitted for the employees of Authority from June 1, 2007 to April 30, 2008. The staff of the Authority were contract employees paid by Eastern Plains Council of Governments for part of the year. For a few months during the year they were employees of Region IV Housing Authority, New Mexico, Inc. at which time the employees should have been covered by PERA, but were not. In May 2008 the staff became employees of Region VI Housing Authority and they became covered by PERA.

Criteria

Section 10-11-2, NMSA1978, states "contributions should be based on employees' base salary or pay, excluding overtime, and should be remitted to PERA on a timely basis".

Effect

Nothing was contributed to employee PERA accounts until May, 2008. Employees were not covered by PERA as required by the statutes.

Cause

The Authority was not familiar with the requirements of PERA.

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2008-7: PERA (continued)

Recommendation

We recommend that the Authority cover all eligible employees through the PERA retirement plan.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

2008-8: Wages not reported on 941

Condition

During our examination of the payroll process we noted that wages for July, August and September 2007 and April 2008 may not have been reported to the Federal Government.

Criteria

Under the Federal Insurance Contributions Act, "in respect of income tax withheld from certain reportable payments, shall be filed on or before the last day of the first calendar month following the period for which it is made."

Effect

The Authority could be in noncompliance with Federal Insurance Contributions Act and the Internal Revenue Service could assess fines and interest for not filing.

Cause

The Authority was either negligent in the submission of the 941 reports or did not retain a copy of the reports for their records.

Recommendation

We recommend that the Authority become familiar with the requirements of the Federal Insurance Contributions Act and become compliant with the regulations.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

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2008-9:1099/Contract Labor

Condition

The Executive Director was considered to be an independent contractor rather than an employee of the Authority. Based on the IRS criteria he should have been considered to be an employee. In addition to improper treatment as an independent contractor, a 1099 may not have been issued for his services.

Criteria

Employees are subject to the Federal Insurance Contributions Act (FICA) as defined at Title 26, Subtitle C, Chapter 21 of the United States Tax Code, unless they meet the criteria to be classified as an Independent Contractor. There are three major areas to consider when determining the proper classification and they are as follows:

- Behavioral Control – If the business directs or controls how the work is done through instructions, training, or other means, the worker is an employee.
- Financial Control – If the business controls the financial and business aspects of the worker's job, you are dealing with an employee. Some questions to ask are:
 - Does the worker have un-reimbursed business expenses,
 - Does the worker invest in the facilities used in performing services,
 - Does the worker make his services available to the relevant market,
 - How the business pays the worker, and
 - Can the worker realize a profit or incur a loss?
- Type of Relationship – How do the parties perceive their relationship? This includes things like:
 - Written contracts describing the relationship the parties intended to create,
 - The extent to which the worker is available to perform services for other similar businesses,
 - Whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay,
 - The permanency of the relationship, and
 - The extent to which services performed by the worker are a key aspect of the regular business of the company.

Effect

The Authority could be held liable for employment tax or PERA not withheld or paid as well as the associated penalties and interest.

Cause

There was either a lack of understanding of the law or an apparent disregard for the regulations.

Recommendation

We recommend that in the future proper determination be made to consider who should be independent contractors.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

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C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871
2004-2: Tenant File Documentation

Condition

During our testwork under the Single Audit Act, we noted the following:

- 1 of 40 files tested had incomplete HUD Form 50058.
- 1 of 40 files tested had no HUD Form 50058.
- 34 of 40 files tested had missing documentation of criminal background checks.
- 7 of 40 files tested had a net overpayment of \$42.
- 1 of 40 files tested had missing Social Security Card documentation.
- 1 of 40 files tested had an unauthorized distribution to a landlord for \$339.
- 5 of 40 files tested were missing documentation to verify income.
- 3 of 40 files tested lacked inspection before distribution of HAP payment took place.
- 21 of 40 files tested had no documentation of follow up after failed annual inspection.
- 1 of 40 files had misstated income on Form 50058.
- 1 of 40 files had repairs that were not addressed after inspection.
- 1 of 40 files had no documentation for the period in which we tested.
- 15 of 40 files tested lacked documentation necessary to determine if the HAP disbursement was allowable, necessary or reasonable.

Criteria

According to HUD requirements as outlined in Circular A-133 for audit of Low Rent Public Housing Program, Section 8 Housing Voucher Program, and Section 8 Housing Assistance Payment Program inspections of tenant properties must be performed annually. Additionally, the tenant files must contain documentation of certain items, including owner approval of the HAP agreement, criminal background checks, proof of and declaration of U.S. citizenship, and copies of Social Security Cards. The authority must also maintain proof of proper selection from the waiting list.

Questioned Costs

None

Effect

The Authority is at risk of being held accountable for violating regulations.

Cause

The cause of these findings appears to be inadequate follow-up controls.

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2004-2: Tenant File Documentation (continued)

Recommendation

We suggest that the Authority improve its follow-up system to ensure that all required documentation is maintained in the tenant files.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871

2004-4: Late Data Collection Form Submission

Condition

The Data Collection Form cannot be submitted to the Federal Audit Clearinghouse until the annual financial audit has been completed; therefore, the A-133 compliance audit for June 30, 2008 was not submitted by the required final due date of March 31, 2009. The Authority did not request an extension of time from the oversight agency for audit.

Criteria

OMB Circular A-133 Section .320(a) states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor(s) report, or nine months after the end of the audit period. Based on this regulation, the latest the Authority could have filed the Data Collection Form was March 31, 2009. OMB Circular A-133 Section 320(a) permits the oversight agency for audit to grant an extension in advance of the regular due date noted in the previous sentence.

Questioned Costs

None

Effect

The Authority is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize the Authority's eligibility to receive federal funding. Late audit report submission also prevents the timely release of financial data.

Cause

The financial audit for the Authority was not started until July 2009.

REGION IV HOUSING AUTHORITY,
NEW MEXICO, INC.SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871
2004-4: Late Data Collection Form Submission (continued)***Recommendation***

We recommend that future audit contracts be implemented timely enough to ensure that the audit is complete by the due date.

Agency Response

The consolidated Eastern Regional Housing Authority has worked diligently to bring the financial records for Region IV up to standards. This administration was not involved in managing Region IV during the audited period. We will comply with all the recommendations.

SECTION 8 HOUSING VOUCHER PROGRAM – CFDA NO. 14.871
2004-5: No Financial Data Schedule or Electronic Submission to HUD***Condition***

The Financial Data Schedule was not electronically submitted to HUD's REAC staging data base for the fiscal year ended June 30, 2008.

Criteria

OMB Circular A-133 Section .320(a) requires the Authority to submit a Financial Data Schedule. The Authority should have filed the Financial Data Schedule in a timely manner with the U.S. Department of Housing and Urban Development.

Questioned Costs

None

Effect

The violation could potentially jeopardize the Authority's eligibility for funding from federal agencies.

Cause

The Authority had not compiled the necessary information and had not contracted for their annual audit in a timely manner. This resulted in nonperformance of their REAC submission by its due date.

Recommendation

We recommend that the Authority prepare the schedule and submit the information to HUD as required.

Agency Response

Since the audits for Region IV had not been completed since 2003, it was not possible to submit the required data without an approved audit. We will complete the report on time once the audit report has been issued. We will follow the above mentioned recommendations.

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D. PRIOR YEAR FINDINGS

- 2007-1 Lack of Supporting Documentation for Expenditures
Revised and repeated.
- 2007-2 Poor Record Keeping
Revised and repeated.
- 2007-3 Wrong Check Number Recorded
Resolved and not repeated.
- 2007-4 Missing Documentation for Payroll
Resolved and not repeated.
- 2007-5 Lack of Proper Authorization of Travel Expense
Resolved and not repeated.
- FA2004-1 Lack of Documentation to Support Promissory Note
Resolved.
- FA2004-2 Lack of Supporting Documentation
Revised and repeated.
- FA2004-4 Late Data Collection Form Submission
Revised and repeated.
- FA2004-5 No Financial Data Schedule or Electronic Submission to HUD
Revised and repeated.
- FA2006-2 Section 8 Funds were transferred to Non-Section 8 Bank Account
Resolved.

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OTHER DISCLOSURES
June 30, 2008

AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the Authority to prepare its own GAAP-basis financial statements, it is felt that the Authority's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

EXIT CONFERENCE

The contents of this report were discussed on September 28, 2009. The following individuals were in attendance.

Region IV Housing Officials

Michael O'Hara, Board Member
Chris Herbert, Executive Director
Irene Andazola, Deputy Director
Olivia Cruz, Finance Director

Auditors

Ray Roberts, Managing Partner, CPA