OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

REGION IV HOUSING AUTHORITY

FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2004, 2005, 2006 and 2007

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO

REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2004, 2005, 2006 and 2007

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

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JUNE 30, 2004, 2005, 2006 and 2007

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STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

OFFICIAL ROSTER
JUNE 30, 2004, 2005, 2006 and 2007

FY04 – FY05

Board of Commissioners	Position
Silver Chavez, Guadalupe County	Chairperson
Jake Lopez, Roosevelt County	Vice-Chair
Robert Beck, Union County	Secretary-Treasurer
Paula Chacon, Harding County	Member
Doyle Fraiser, Quay County	Member
Jimmie Dee Fox, DeBaca County	Member

Authority Personnel	Title
Leland Tillman	Executive Director

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

OFFICIAL ROSTER
JUNE 30, 2004, 2005, 2006 and 2007

FY05 – FY06

Board of Commissioners	Position
Silver Chavez, Guadalupe County	Chairperson
Jake Lopez, Roosevelt County	Vice-Chair
Robert Beck, Union County	Secretary-Treasurer
Paula Chacon, Harding County	Member
Doyle Fraiser, Quay County	Member
Jimmie Dee Fox, DeBaca County	Member

Authority Personnel	Title

Authority Personnel	Title
Leland Tillman	Executive Director

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

OFFICIAL ROSTER
JUNE 30, 2004, 2005, 2006 and 2007

FY06 – FY07

Board of Commissioners	Position
Paula Chacon, Harding County	Chairperson
Johnny Chavez, Curry County	Vice Chairman
Silver Chavez, Guadalupe County	Secretary/Treasurer
Jake Lopez, Roosevelt County	Member
Robert Beck, Union County	Member
Doyle Fraiser, Quay County	Member
Jimmie Dee Fox, DeBaca County	Member

Authority Personnel	Title
J. Morrow Hall	Executive Director

OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Executive Director and Board of Commissioners
Region IV Housing Authority, New Mexico, Inc.
600 Mitchell Street
Clovis, New Mexico 88202

We were engaged to audit the accompanying financial statements of the business-type activities of the Region IV Housing Authority, New Mexico, Inc. (Region IV) as of and for the years ended June 30, 2004, 2005, 2006 and 2007, which collectively comprise Region IV's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Region IV's management.

The scope of our audit of Region IV was severely limited due to the lack of numerous accounting records for the fiscal years ended June 30, 2004, 2005, 2006 and 2007. The supporting documentation for expenditures, accounts payable and payroll was missing. The tenant files for the Section 8 Housing program were missing. Banks statements and most of the minutes of the meetings of the board were missing. Also, a separate general ledger for Region IV's transactions was not available.

Because of the significance of the matters discussed in the preceding paragraph, we are unable to express and do not express an opinion on the financial statements of the business-type activities of Region IV.

The accompanying basic financial statements referred to above have been prepared assuming Region IV will continue to operate as a going concern. As further discussed in Note IV. F to the financial statements, Region IV had a going concern issue for the fiscal years ended June 30, 2004, 2005, 2006 and 2007. For fiscal year ended June 30, 2004, 2005, 2006 and 2007, Region IV used restricted program funds from the U.S. Department of Housing and Urban Development (HUD) to cover an operating deficiency of $2,782, $107,349, $40,776 and $2,109, respectively. In addition, in fiscal years ended June 30, 2005 and 2006, Region IV had a total net loss of $100,090 and $78,278, respectively. These conditions raise substantial doubt about Region IV's

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ability to continue as a going-concern for a reasonable period of time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

For the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region IV implemented the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

Region IV has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008 on our consideration of Region IV's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considering in assessing the results of our audits.

The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the financial statements. Region IV had a going concern for the financial statements for fiscal years ended June 30, 2004, 2005, 2006 and 2007. Also, the scope of our audit was limited due to the lack of accounting records for transactions relating to Region IV's financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements and accordingly we express no opinion them.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR
December 9, 2008

State of New Mexico
Region IV Housing Authority , New Mexico, Inc.
Enterprise Funds
Statement of Net Assets
June 30, 2004, 2005, 2006 and 2007

	2004	2005	2006	2007
ASSETS				
Current Assets:				
Cash	$ 97,190	$ 147,950	$ 83,668	$ 424,453
Cash restricted - FSS program	140,139	130,494	133,696	-
Receivable - Promissory Notes:	911	5,060	1,848	2,268
Receivable - HUD Voucher Program	4,125	4,125	4,125	540
Due from EPCOG - Program Fund	275,457	116,502	203,910	46,250
Total Current Assets	517,822	404,131	427,247	473,511
Noncurrent Assets:				
Capital Assets				
Land	-	-	-	20,000
Structures	-	-	-	150,000
Equipment	50,671	50,671	50,671	61,556
Less Accumulated Depreciation	(41,210)	(50,655)	(50,671)	(57,385)
Total Noncurrent Assets	9,461	16	-	174,171
Total Assets	527,283	404,147	427,247	647,682
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	-	-	22,690
Payroll Benefit Payable	-	-	-	7,558
Due to Region III	-	-	64,318	95,258
Due to EPCOG - Admin cost allocations	156,015	111,127	120,864	-
FSS Escrow - Payable restricted fund	123,106	128,581	152,840	-
HUD Voucher Program - payable	109,691	126,058	129,122	129,122
Total Current Liabilities	388,812	365,766	467,144	254,628
Noncurrent Liabilities:				
Line of Credit - loan payable	-	-	-	17,000
Notes Payable - building	-	-	-	50,000
Total Noncurrent Liabilities	-	-	-	67,000
Total Liabilities	388,812	365,766	467,144	321,628
NET ASSETS				
Invested in capital assets, net of related debt	9,461	16	-	124,171
Restricted for Section 8	-	-	(37,502)	169,135
Unrestricted / (Deficit)	129,010	38,365	(2,395)	32,748
Total Net Assets	$ 138,471	$ 38,381	$ (39,897)	$ 326,054

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

Exhibit 2

State of New Mexico
Region IV Housing Authority , New Mexico, Inc.
Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2004, 2005, 2006, and 2007

	Business-Type Activities Enterprise Funds			
	2004	**2005**	**2006**	**2007**
Operating Revenues:				
HUD Subsidy Admin Fees	$ 272,066	$ 162,357	$ 265,897	$ 260,746
HUD FSS Admin Fees	26,699	32,475	13,618	13,618
Forfeited FSS Funds	8,960	-	39,497	65,292
Misc Income	-	18	892	1,600
Interest	1,960	2,107	1,956	807
Total Operating Revenues	309,685	196,957	321,860	342,063
Operating Expenses:				
Personnel Salaries	166,204	155,806	182,989	162,412
Employee Benefits	44,696	43,998	54,599	12,213
Professional Services	680	-	32,937	17,881
Accounting Fees	13,603	15,118	16,947	17,461
Auditing Fees	6,000	6,000	-	-
Travel	6,076	11,038	19,819	11,730
Other Admin Expense: Allocated	1,730	42,452	41,913	48,040
Other Admin Expense: Office Supplies	10,466	8,709	7,767	21,428
Materials and Other: Vehicle Insurance/Maint.	-	-	-	811
Other Expenses: Equipment Rent	-	-	-	17,094
Other Expenses: Board Activity	18,857	11,416	4,675	1,905
Other Expenses: Office Rent	-	-	702	6,000
Other Expenses: Other Expenses	34,021	324	128	11,969
Other Expenses: Phone	-	-	-	2,045
Other Expenses: Postage	-	-	144	5,902
Other Expenses: Subscriptions & Dues	-	-	-	567
Depreciation	10,134	9,445	16	6,714
Total Operating Expenses	312,467	304,306	362,636	344,172
Operating Income/(Loss)	(2,782)	(107,349)	(40,776)	(2,109)
Non-Operating Revenues (Expenses):				
Grant Revenue - Federal Tenant Assistance	1,792,821	1,807,860	1,787,162	1,801,173
Housing Assistance Payments	(1,607,989)	(1,614,012)	(1,684,038)	(1,534,150)
HAP Payments Utilities	(91,604)	(96,550)	(83,036)	(60,386)
HAP Payments FSS	(42,553)	(33,508)	(24,447)	-
HAP Payments Portability Payments	(41,588)	(51,393)	(31,400)	-
HAP Payments Portability Admin Expense	(2,323)	(3,386)	(1,686)	-
HAP Payments Portability Utility Pmts	(1,500)	(1,752)	(57)	-
Total Non-Operating Revenues (Expenses)	5,263	7,259	(37,502)	206,637
Other Revenues and Expenses:	-	-	-	
Grant Income - Capital Outlay Building	-	-	-	150,008
Unidentified Auto Deposit one transfer	-	-	-	11,416
Total Other Revenues and Expenses	-	-	-	161,424
Change in Net Assets	2,481	(100,090)	(78,278)	365,952
Net Assets - Beginning	135,989	138,471	38,381	(39,897)
Net Assets - Ending	$ 138,471	$ 38,381	$ (39,897)	$ 326,054

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 Years Ended June 30, 2004, 2005, 2006 and 2007

	2004	2005	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services	$ 296,685	$ 295,023	$ 284,273	$ 276,771
Payments to suppliers and to and on behalf of employees	(302,333)	(294,860)	(362,620)	(281,271)
Net Cash Provided (Used) By Operating Activities	(5,648)	163	(78,347)	(4,500)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from subsidy	1,933,291	1,726,516	1,788,316	1,923,924
Receipts from notes for refund of subsidy	1,092	667	2,249	186
Payments out for subsidy program	(1,787,557)	(1,805,772)	(1,823,701)	(1,595,142)
Net Cash Provided (Used) By Noncapital Financing Activities	146,826	(78,589)	(33,136)	328,968
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant for capital assets	-	-	-	133,888
Proceeds from Mortgage Acquisition	-	-	-	50,000
Purchase of capital assets	-	-	-	(180,885)
Net Cash Provided by Capital and Related Financing Activities	-	-	-	3,003
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from other FSS Escrow	2,634	5,476	63,755	-
Payments for FSS Escrow	-	-	-	(133,797)
Proceeds from other agencies	302,295	294,536	366,077	5,000
Repayments to other agencies	(235,000)	(339,425)	(292,022)	(20,000)
Payments made for other agencies	(136,622)	158,954	(87,408)	-
Line of Credit	-	-	-	17,000
Unidentified Auto Deposit one transfer	-	-	-	11,416
Net Cash Provided (Used) by Investing Activities	(66,693)	119,541	50,402	(120,381)
Net (Decrease) Increase in Cash	74,485	41,115	(61,081)	207,090
Cash Balances-Beginning of the Period	162,844	237,329	278,444	217,363
Cash Balances-End of the Period	$ 237,329	$ 278,444	$ 217,363	$ 424,453
Reconciliation of Operating Income (Loss) to Net Cash provided (Used) by Operating Activities:				
Operating (Loss)	$ (2,782)	$ (107,349)	$ (40,776)	$ (2,109)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	10,134	9,445	16	6,714
Change in assets and liabilities:				
Receivables, Net	(13,000)		(39,497)	(65,293)
Accounts and other payables		98,067	1,910	56,188
Net Cash Provided (Used) by Operating Activities	$ (5,648)	$ 163	$ (78,347)	$ (4,500)

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

I. Summary of Significant Accounting Policies

A. General

The Region IV Housing Authority, New Mexico, Inc. (Region IV) was created pursuant to Regional Housing Law, Chapter 11, Article 3A NMSA 1978. The law created seven regional housing authorities throughout New Mexico to provide decent, safe and sanitary housing for low-income residents. The law mandated that each authority operate only within the area of its own region. Region IV consists of DeBaca, Curry, Roosevelt, Union, Harding, Quay and Guadalupe Counties. The Region IV was incorporated on October 27, 2005. Eastern Plains Council of Governments (EPCOG) was Region IV's fiscal agent until June 30, 2006 and Eastern Plains Housing Development Corporation (EPHDC) was Region IV's fiscal agent from July 1, 2006 to June 30, 2007.

Region IV complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide Region IV the option of electing to apply FASB pronouncements issued after November 30, 1989. Region IV has elected to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region IV implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

B. Reporting Entity

Region IV's basic financial statements include the accounts of all Region IV operations. The criteria for including organizations as component units within Region IV's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting*, included whether:

- The organization is legally separate (can sue and be sued in their own name);
- Region IV holds the corporate powers of the organization;
- Region IV appoints a voting majority of the organization's board;
- Region IV is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on Region IV; and
- There is fiscal dependency by the organization on Region IV.

Based on the aforementioned criteria, Region IV has no component units.

C. Financial Statements

The financial statements of Region IV have been prepared on the economic resources measurement focus and the accrual basis of accounting. Region IV utilizes an enterprise fund to account for its operations as it is the intent of the governing body that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges or 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, relevant GASB pronouncements. Enterprise funds apply 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.

Region IV net assets consists of invested in capital assets, net of related debt and unrestricted assets/(deficit). Invested in capital assets net of related debt, which is the cost of capital assets, net of accumulated depreciation, consists of unrestricted nets assets and restricted net assets - wherein the constrains placed on net asset use are either by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Enterprise Fund

Enterprise fund are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Enterprise fund is:

Housing Choice Vouchers – To account for the U.S. Department of Housing and Urban Development's (HUD) program which provides Housing Assistance payments for qualified low-income residents in privately owned properties.

There are no fiduciary funds included in Region IV's financial statements.

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

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Operating revenues are recognized as revenues in the year for which they are earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Program-specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. The program revenues are derived directly from HUD for the Section 8 Housing Choice Program. Grant revenue is from the federal tenant assistance program.

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 of Region IV are Administrative Fees, Forfeited FSS Funds, and Miscellaneous and Interest Income. Operating expenses include the cost 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 Region IV's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets and Liabilities

1. Cash

For the purpose of the Statement of Net Assets, cash and cash equivalents consists of demand deposits for Region IV. For the purpose of the proprietary fund Statement of Cash Flows, cash and cash equivalents include all demand deposits.

New Mexico law authorizes the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool.

New Mexico law requires that financial institutions with public monies on deposit pledge collateral to the owner of such public monies, in an amount not less than 50 percent of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by Region IV. The pledged securities remain in the name of the financial institution. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

2. Capital Assets

Land, buildings and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, when received, are recorded at fair market value on the date received.

Capital assets with a value or cost greater than $1,000 are accounted for as capital assets. For assets acquired after June 17, 2005, the capitalization limit was raised to $5,000. Capital assets are defined by Region IV as assets with a useful life. These assets are recorded at cost.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 years
Equipment	5 years
Vehicles	5 years
Software	5 years

3. Accounts Payable

Due to the lack of documentation, Region IV is unable to determine accounts payable for fiscal years ended June 30, 2004, 2005, and 2006. There were no records of invoices, vouchers, or any other supporting documentation for these years. For fiscal year ended June 30, 2007, the accounts payable list was developed from the records of our fee accountant. There were no supporting documents for fiscal year ended June 30, 2007 to verify these amounts.

During fiscal year ended June 30, 2007, the staff of Region IV consisted of contract employees belonging to the Eastern Plains Housing Development Corporation (EPHDC). Therefore, Region IV did not have any payroll accruals for this time period.

4. Compensated Absences

Region IV employees were contract employees; therefore, there were no compensated absences for the fiscal years ended June 30, 2004, 2005, 2006 and 2007.

5. Net Assets

Region IV had a deficit net assets balance of $39,898 for fiscal year ended June 30, 2006.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The budgets are not legally required and are not prepared by Region IV.

III. Detailed Notes on all Funds

A. Cash

As of June 30, 2004, Region IV had a carrying amount of deposits of $237,329. The bank balances for deposits is $258,581. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of $21,252. The bank balance consists of:

Citizens Bank of Clovis

Section 8 account	Checking	$ 118,442
FSS Escrow account	Checking	140,139
Total bank balance		258,581
Demand deposits		258,581
Less: FDIC coverage		(100,000)
Amount uninsured		158,581
Pledged securities at fair market value		
50% collateral requirement		79,290
Pledged securities at par value		3,097,578
Over (Under) Collateralized		$ 3,018,288

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of the Eastern Plains Council of Governments (EPCOG) at the Citizens Bank of Clovis in Clovis, New Mexico.

CUSIP#	Type	Fair Market Value	Par Value	Maturity Date
36200MQT3	GNMA	$1,128,118	$1,250,000	07/15/2018
36225C4J2	GNMA	1,930,700	2,000,000	02/20/2034
83162CHL0	SBA	38,761	200,000	05/01/2007
		$3,097,578	$3,450,000	

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

As of June 30, 2004, $-0- of the government's bank balance of $258,581 was exposed to custodial credit risk. All of Region IV's deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or were collateralized by securities held by Region IV's agent in Region IV's name.

As of June 30, 2005, Region IV had a carrying amount of deposits of $278,444. The bank balances for deposits is $287,011. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of $8,567. The bank balance consists of:

Citizens Bank of Clovis

Section 8 account	Checking	$ 156,517
FSS Escrow account	Checking	130,494
Total bank balance		287,011
Demand deposits		287,011
Less: FDIC coverage		(100,000)
Amount uninsured		187,011
Pledged securities at fair market value		
50% collateral requirement		93,506
Pledged securities at par value		1,488,842
Over (Under) Collateralized		$ 1,395,336

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of the EPCOG at the Citizens Bank of Clovis in Clovis, New Mexico.

CUSIP#	Type	Fair Market Value	Par Value	Maturity Date
36225C4J2	GNMA	$1,465,093	$2,000,000	02/20/2034
83162CHL0	SBA	23,749	200,000	05/01/2007
		$1,488,842	$2,200,000	

As of June 30, 2005, $-0- of the government's bank balance of $287,011 was exposed to custodial credit risk. All of Region IV's deposits were insured by FDIC or were collateralized by securities held by Region IV's agent in Region IV's name.

As of June 30, 2006, Region IV had a carrying amount of deposits of $217,364. The bank balances for deposits is $229,125. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of $11,761. The bank balance consists of:

Citizens Bank of Clovis

Section 8 General	Checking	$ 91,869
FSS Escrow account	Checking	133,696
Total bank balance		225,565
Demand deposits		225,565
Less: FDIC coverage		(100,000)
Amount uninsured		125,565
Pledged securities at fair market value		
50% collateral requirement		62,783
Pledged securities at par value		844,385
Over (Under) Collateralized		$ 781,602

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of the EPCOG at the Citizens Bank of Clovis in Clovis, New Mexico.

CUSIP#	Type	Fair Market Value	Par Value	Maturity Date
36225C4J2	GNMA	$ 836,265	$2,000,000	02/20/2034
83162CHL0	SBA	8,120	200,000	05/01/2007
		$ 844,385	$2,200,000	

Bank of Clovis

Operating account	Checking	$ 1,585
Section 8 account	Checking	975
Section 8 Admin	Checking	1,000
Total bank balance		3,560
Demand deposits		3,560
Less: FDIC coverage		(3,560)
Amount uninsured		$ -0-

As of June 30, 2006, $-0- of the government's bank balance of $228,218 was exposed to custodial credit risk. All of Region IV's deposits were insured by FDIC or were collateralized by securities held by Region IV's agent in Region IV's name.

As of June 30, 2007, Region IV had a carrying amount of deposits of $424,453. The bank balances for deposits is $448,822. The difference between the carrying amount and the bank balance of deposits is due to outstanding checks of $24,369. The bank balance consists of:

Bank of Clovis

Operating account	Checking	$ 2,711
Section 8 account	Checking	407,376
Section 8 Admin	Checking	38,735
Total bank balance		448,822
Demand deposits		448,822
Less: FDIC coverage		(100,000)
Amount uninsured		348,822
Pledged securities at fair market value		
50% collateral requirement		174,411
Pledged securities at par value		558,512
Over (Under) Collateralized		$ 384,101

The following is a description of the pledged collateral that is held under joint safekeeping receipts in the name of Region IV at the Bank of Clovis in Clovis, New Mexico.

CUSIP#	Type	Fair Market Value	Par Value	Maturity Date
31371KV40	FNMA	$109,797	$107,357	02/20/2034
31371GTQ3	FNMA	93,943	91,156	05/01/2007
31331VAX4	FFCB	356,837	360,000	09/29/2010
		$558,512	$560,577	

As of June 30, 2007, $-0- of the government's bank balance of $448,822 was exposed to custodial credit risk. All of Region IV's deposits were insured by FDIC or were collateralized by securities held by Region IV's agent in Region IV's name.

B. Notes Receivable

Promissory notes were used to secure payment from tenants whose income verification did not support the amount of monetary benefit received by the tenant from Region IV. In these situations, the tenant was required to repay the money in monthly installments to Region IV. We were not able to review all promissory notes and repayment schedules for all the promissory notes. This documentation was not able to be located within our audit timeframe. It appears that all payments received were documented correctly as well as deposited timely. There were write-offs of four notes receivable during this time period.

There is one audit finding for each fiscal year ended June 30, 2004, 2005, 2006, and 2007 regarding the lack of supporting documentation for repayment of federal funds.

C. Capital Assets

Capital asset activity for the years ended June 30, 2004, 2005, 2006 and 2007 was as follows:

Description	Balance 06/30/03	Additions	Deletions	Balance 06/30/04
Business Type-Activities:				
Depreciable Capital Assets				
Vehicles	$ 27,001	$ -	$ -	$ 27,001
Equipment	17,701	-	-	17,701
Miscellaneous	5,969	-	-	5,969
Totals-depreciable capital assets	50,671	-	-	50,671
Less: Accumulated depreciation				
Vehicles	(16,559)	(5,400)	-	(21,959)
Equipment	(10,856)	(3,540)	-	(14,396)
Miscellaneous	(3,661)	(1,194)	-	(4,855)
Total accumulated depreciation	(31,076)	(10,134)	-	(41,210)
Net capital assets	$ 19,595	$ (10,134)	$ -	$ 9,461

Description	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Business Type-Activities:				
Depreciable Capital Assets				
Vehicles	$ 27,001	$ -	$ -	$ 27,001
Equipment	17,701	-	-	17,701
Miscellaneous	5,969	-	-	5,969
Totals-depreciable capital assets	50,671	-	-	50,671
Less: Accumulated depreciation				
Vehicles	(21,959)	(5,041)	-	(27,000)
Equipment	(14,396)	(3,305)	-	(17,701)
Miscellaneous	(4,855)	(1,099)	-	(5,954)
Total accumulated depreciation	(41,210)	(9,445)	-	(50,655)
Net capital assets	$ 9,461	$ (9,445)	$ -	$ 16

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004, 2005, 2006 and 2007

Description	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Business Type-Activities:				
Depreciable Capital Assets				
Vehicles	$ 27,001	-	-	$ 27,001
Equipment	17,701	-	-	17,701
Miscellaneous	5,969	-	-	5,969
Totals-depreciable capital assets	50,671	-	-	50,671
Less: Accumulated depreciation				
Vehicles	(27,000)	(1)	-	(27,001)
Equipment	(17,701)	-	-	(17,701)
Miscellaneous	(5,954)	(15)	-	(5,969)
Total accumulated depreciation	(50,655)	(16)	-	(50,671)
Net capital assets	$ 16	$ (16)	$ -	$ -

Description	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Business Type-Activities:				
Non-depreciable Capital Assets				
Land	$ -	$ 20,000	$ -	$ 20,000
Depreciable Capital Assets				
Vehicles	27,001	-	-	27,001
Equipment	17,701	-	-	17,701
Miscellaneous	5,969	-	-	5,969
Building	-	150,000	-	150,000
Software	-	10,885	-	10,885
Totals-depreciable capital assets	50,671	160,885	-	211,556
Less: Accumulated depreciation				
Vehicles	(27,001)	-	-	(27,001)
Equipment	(17,701)	-	-	(17,701)
Miscellaneous	(5,969)	-	-	(5,969)
Building	-	(5,625)	-	(5,625)
Software	-	(1,089)	-	(1,089)
Total accumulated depreciation	(50,671)	(6,714)	-	(57,385)
Net capital assets	$ -	$ 174,171	$ -	$ 174,171

Due to / Due From

Due to the Regional Housing Authority of Region III (Region III)

Region IV owes $95,258 to Region III. However, the amount could not be verified by the auditors in the Region IV books and documents of record the Due to Region III transactions in the total amount of $95,258 that were recorded from October 2005 to August 2006.

August 2006 was the final month of general journal transactions recorded for Due to Region III books of Region IV. All transactions were posted individually by general journal entries to Region IV books. The general journal entries were representative of checks written from Region III. These checks were paid out of bank accounts not maintained or managed by Region IV or EPCOG, Region IV's fiscal agent.

No documentation was available or provided to Region IV or EPCOG employees to support the expenditures paid by Region III. Therefore, the auditors were unable to determine from the available documentation who had authorized the payments by Region III on behalf of Region IV for the goods and services listed in the schedule below. None of the individual transactions could be traced to the bank accounts maintained by Region IV, EPCOG or Region IV as a stand alone entity.

Due to Region III

	06/30/06	06/30/07
Beginning Balance	$ -	*$ 64,318*
Accounting Fees	7,675	3,420
Advertising	159	84
Cash Advance	5,000	5,000
Filing Fees	100	-
Legal Fees	28,643	7,881
Misc Expense	443	5
Payroll Expense	9,056	8,291
Per Diem Expense	9,719	3,508
Postage	144	-
Retirement	3,379	2,442
Training	-	309
Total Due to Region III	$ 64,318	$ 95,258

Due from Eastern Plains Council of Governments (EPCOG)

EPCOG was a fiscal agent for Region IV during fiscal years ended June 30, 2004, 2005 and 2006. EPCOG paid expenditures during those fiscal years for certain programs through Region IV bank accounts; however, the programs were not associated with Section 8 Housing or Region IV. The programs paid through the Region IV bank account are Tenant Based Rental Agreement, Continuum of Care and Shelter plus Care programs. No documentation was available or provided by any Region IV or EPCOG employees to support the expenditures paid by Region IV.

Due from EPCOG - Program Fund

	2004	2005	2006	2007
Beginning Balance	*$ 138,834*	*$ 275,457*	*$ 116,502*	*$ 203,910*
TBRA Income	(226)	(172,222)	(130,947)	-
Tentant Base Rental Agreement:	11,204	105,292	313,326	-
TBRA Utilities	4,035	32,585	-	-
Continuum of Care	(25,000)	(125,355)	(65,918)	-
Continuum of Care HAP Pymts	28,956	103,876	-	-
Continuum of Care: Utilities	7,489	6,429	-	-
Continuum of Care: App Fee	15		-	-
Shelter Plus Care Reimbursement	-	(316,561)	(29,053)	-
Shelter Plus Care: HAPS	91,340	189,198	-	-
Shelter Plus Care: Utilities	18,810	17,803	-	-
EPCOG repayment of TBRA	-	-	-	(203,910)
FSS	-	-	-	46,250
TOTAL	$ 275,457	$ 116,502	$ 203,910	$ 46,250

Transfers Inter Bank Accounts

In March 2006, Region IV's Board of Commissioners (Board) established another bank account at the Bank of Clovis. This account was separate from the Section 8 program account and the Section 8 administrative account controlled by Region IV's fiscal agent. Region III provided $5,000 to Region IV for deposit into the new account.

EPCOG was the fiscal agent for Region IV during fiscal years ended June 30, 2004, 2005 and 2006. EPHDC was the fiscal agent for Region IV from July 2006 through June 2007. According to the Executive Director of EDHPC, the Board instructed the Bank of Clovis to transfer money from the Section 8 administrative account to the new Region IV account. The

Board did not inform EDHPC that it opened a new account or that it instructed the bank to transfer money from a Section 8 account controlled by EDHPC.

Four thousand dollars was transferred from the Section 8 administrative account to the new Region IV account three times. Once in February 2007, once in March 2007 and once in May 2007. EDHPC discovered the existence of the new account when it received a bank statement in March 2007 that showed a transfer of $4,000 made in February 2007 from the Section 8 administrative account. Following discovery of the bank account and the transfers, the Executive Director of EDHPC informed the Board in an open meeting that it cannot transfer and expend Section 8 money for purposes other than the Section 8 program.

Region IV did not have any supporting documentation or explanations for the transfers to the Region IV account totaling $12,000. A request was made of Bank of Clovis bank statements for bank account. For fiscal year ended June 30, 2007, payments were made from this account to exempt Region IV employees for payroll expenses and mileage reimbursements. With regard to payroll, it was noted that expenses paid from this account totaled $17,192.

D. Long-Term Debt

During fiscal year ended June 30, 2007, Region IV purchased a building located at 602 Mitchell Street in Clovis, New Mexico. The mortgage, dated June 16, 2006, secures the purchase of the building in the amount of $50,000, bearing no interest unless mortgagor defaults. In the case of default, the interest rate shall be 6 percent per annum, payable in full within a period of 5 years, beginning July 1, 2006. The purchase of building was made on September 13, 2006 by paying $120,000 to Landmark Title with mortgage note of $50,000. No principal/interest payments are due until paid full in 2011.

The following is a schedule of changes in proprietary fund long-term debt for the years ending 2007.

	Balance 6/30/2006	Increases	Decreases	BalanceDue 6/30/2007	Within 1 year
Notes Payable - Building	$ -	$ 50,000	$ -	$ 50,000	$ -

The following schedule represents minimum payments on debt on the life of the balance.

Due in fiscal year	Principal	Interest	Total
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	50,000	-	50,000
	$ 50,000	$ -	$ 50,000

IV. Other Information

A. Employee Retirement Benefits

Region IV does not participate in a retirement plan.

B. Risk Management

EPCOG was the fiscal agent for Region IV during fiscal years ended June 30, 2004, 2005 and 2006. Per our review of the general ledger, no insurance premiums were paid from Region IV during this time period. It appears that Region IV was covered under the EPCOG insurance policy.

EPHDC was the fiscal agent for Region IV from July 2006 through June 2007. Per our inquiry with the Deputy Director of EPHDC, Region IV did not have any insurance coverage during this time period.

C. Contingent Liabilities

Region IV did not have any contingent liabilities for the fiscal years ended June 30, 2004, 2005, 2006 and 2007.

D. Commitment and Contingencies

Region IV did not have any commitments and contingencies for the fiscal years ended June 30, 2004, 2005, 2006 and 2007.

E. Subsequent Events

There were two subsequent events for Region IV that need to be reported. First, Region IV received two residential rental properties from EPCOG at the beginning of 2008 under a court order. One property is located in Fort Sumner, New Mexico and the other property is located in Roy, New Mexico. The value of these properties was unavailable. The second item is EPCOG paid Region IV for family self-sufficiency forfeit funds. EPCOG wrote a check on March 18, 2008, to Region IV for $46,250.

F. Going Concern

Region IV had the following going concern for the financial statements for fiscal years ended June 30, 2004, 2005, 2006 and 2007. For the fiscal year ended June 30, 2004, Region IV used restricted program funds from HUD to cover an operating deficiency of $2,782. For fiscal year ended June 30, 2005, Region IV used restricted program funds from HUD to cover an operating deficiency of $107,349. For fiscal year ended June 30, 2006, Region IV used restricted program

funds from HUD to cover an operating deficiency of $40,776. For fiscal year ended June 30, 2007, Region IV used restricted program funds from HUD to cover an operating deficiency of $2,109. In addition, in fiscal years ended June 30, 2005 and 2006, Region IV had a total net loss of $100,090 and $78,278 respectively.

Through the periods of fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region IV continued its administration of the HUD Section 8 Voucher program. However, HUD requested Region VI Housing Authority, New Mexico, Inc. to manage Region IV. Operations were transferred to Region VI on May 8, 2008.

G. Expenditures

In the course of performing the audit the contract auditors were unable to locate several documents. Region IV and EPHDC was unable to located the documentation that was needed by the auditors to perform the required testing of the documentation. Subsequently EPHDC and the contract auditors met with EPCOG concerning the documents that were transferred to Region IV. The documentation had been transferred and an acknowledgement that they were signed for was received by EPCOG. It appears that these documentation were misplaced, lost or discarded and accordingly the auditors were unable to effectively test the disbursements.

H. Payroll, PERA and Compensated Absences

During fiscal years ended June 30, 2004, 2005 and 2006, the payroll for Region IV was handled by its fiscal agent, EPCOG. EPCOG handled the entire payroll for Section 8 employees. There were six employees that worked full-time for Section 8 and four employees that worked for both Section 8 and EPCOG. Region IV was proportionally charged for these employees. These records could not be verified because Region IV's payroll was mixed with EPCOG's payroll. Region IV was charged approximately 3 percent of the gross salary by EPCOG for the 4 employees that worked for both Section 8 and EPCOG. The payroll expenses and related benefits for Region IV were allocated to Region IV from EPCOG.

The employees working for Region IV were classified under EPCOG and followed EPCOG'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 (ICMA). The employees working for Region IV did not receive compensated absences or accrued leave through Region IV. This was all done through EPCOG and was audited as part of EPCOG's books.

During fiscal year ended June 30, 2007, EPHDC was the fiscal agent for Region IV. During that fiscal year, the payroll was handled by EPHDC and EPDHC allocated Region IV's payroll expense and benefits. All employees working for Region IV at that time were salaried employees and did not fill out time sheets. As a result, there are no time sheets on record. Additionally, since all Region IV employees were classified employees of EPHDC there were no compensated absences for Region IV. Also, during that time period Region IV employees did

not receive PERA benefits. Furthermore, Region IV had two exempt employees on its payroll while EPHDC served as fiscal agent for Region IV: Program Coordinator and Executive Director.

I. Section 8 Housing

During the fiscal years ended June 30, 2004, 2005, 2006 and 2007, Region IV received Section 8 Housing Choice Vouchers Grant from HUD. The overall objective of the U.S. Housing Choice Voucher Program (HCVP) is to provide rental assistance to help very low-income families afford decent, safe, and sanitary rental housing. Region IV also participated in the Family Self-Sufficiency program (FSS). FSS is a HUD program that encourages communities to develop local strategies to help voucher families. The PHA and the head of each participating family execute an FSS contract of participation that specifies the rights and responsibilities of both parties. The five-year FSS contract specifies goals and services for each family. Family members must fulfill all requirements in order to obtain full benefits. The contract requires that the family comply with the lease, that all family members become independent of welfare, and that the head of the family seek and maintain suitable employment. Possible sanctions for noncompliance with the FSS contract are termination from the FSS program, forfeiture of the FSS escrow accounts, withholding or termination of supportive services and termination of housing choice voucher assistance. Furthermore, Region IV is provided a Section 8 grant to hire a FSS Coordinator (salary and benefits only--no program costs).

The HCVP is administered by local public housing agencies (PHAs) authorized under state law to operate housing programs within an area or jurisdiction. The PHA accepts the application for rental assistance, selects the applicant for admission, and issues the selected family a voucher confirming the family's eligibility for assistance. The family must then find and lease a dwelling unit suitable to the family's needs and desires in the private rental market. The PHA pays the owner a portion of the rent (a housing assistance payment (HAP)) on behalf of the family.

The subsidy provided by the HCVP is considered a tenant-based subsidy because when an assisted family moves out of a unit leased under the program, the assistance contract with the owner terminates and the family may move to another unit with continued rental assistance.

In the HCVP, the PHA verifies a family's eligibility (including income eligibility) and then issues the family a voucher. The family generally has 60 days to locate a rental unit where the landlord agrees to participate in the program. The PHA determines whether the unit meets housing quality standards (HQS). If the PHA approves a family's unit and determines that the rent is reasonable, the PHA contracts with the owner to make HAPs on behalf of the family.

Under the HCVP, apart from the requirement that the rent must be reasonable in relation to rents charged for comparable units in the private unassisted market, there is generally no limit on the amount of rent that an owner may charge for a unit. However, at initial occupancy of any unit where the gross rent exceeds the payment standard, a family may not pay more than 40 percent of adjusted monthly income toward rent and utilities.

The voucher subsidy is set based on the difference between the lower of the PHA's applicable payment standard for the family or the gross rent and the total tenant payment (generally 30 percent of the family's monthly adjusted income). This is the maximum amount of subsidy a family may receive regardless of the rent the owner charges for the unit.

If the cost of utilities is not included in the rent to the owner, the PHA uses a schedule of utility allowances to determine the amount an assisted family needs to cover the cost of utilities. The PHA's utility allowance schedule is developed based on utility consumption and rate data for various unit sizes, structure types, and fuel types. The PHA is required to review its utility allowance schedules annually and to adjust them if necessary. This grant was selected as a major program in fiscal years ended June 30, 2004, 2005, 2006 and 2007.

Sampling was utilized for this program. The sample included tenants that participated in the Section 8 fund. A sample size of 25 tenants was chosen from the HUD list of participants in the Section 8 program for each fiscal year audited.

The compliance requirements covered below indicate all requirements under the grant agreement. The program is included in the federal compliance supplement; therefore the auditors used the compliance supplement applicable to this award in determining and testing compliance requirements. The following paragraphs explain what they tested and determined for Region IV's compliance requirements for the federal award program.

PHAs may use HCVP funds only for HAPs to participating owners, and administrative fees and the following were determined on allowable cost compliance. Based on the lack of documentation of tenant applications that were provided to us, the auditors' were unable to properly test tenants' income for each fiscal year audited. Since Region IV was missing tenant file the auditors were unable to properly test the tenant rent payments for each fiscal year. Auditors' were unable to properly test for one year reexamination for each tenant because a major percentage of the tenant files were not provided to us for each fiscal year. A waiting list was not provided so the auditors were unable to test if the policies were followed in placing applicants on the waiting list for each fiscal year they audited. Based on the lack of documentation of costs paid by Region IV, the auditors were unable to determine if the costs were reasonable and if the payments were compliant with federal award program guidelines.

The PHA's must determine reasonable rent for units leased by tenants under Section 8 Housing. Based on the lack of documents provided to the auditors on the 25 tenants sampled for each fiscal year the auditors were unable to determine if Region IV had properly determined reasonable rent in accordance with its administrative plan for the tenants' units. The auditors were unable to review the administrative plan for determining reasonable rent from the PHA because it was not provided. Consequently, the auditors were unable to determine if Region IV had been paying reasonable rent for units in its region.

The PHA's under Section 8 must maintain housing quality inspections on all leased units in which tenants are receiving Section 8 assistance. Based on the lack of documentation, the auditors were unable to properly determine if the PHA's procedures for performing HQS inspections and quality control re-inspections for leased units had been properly completed for each unit in the Section 8 program.

Region IV under EPCOG also participated in the FSS. In July 2006, EPCOG was no longer administering the Section 8 Program which includes the FSS program. The Section 8 program had been moved to the EPHDC and EPCOG closed the FSS escrow account as of August 2006. At that time, EPCOG paid out 12 eligible individuals their escrow accounts which totaled $89,382. All of those checks cleared the bank in August 2006 from the EPCOG Section 8 bank account. The rest of the FSS escrow money was forfeited funds that were deposited into EPCOG which totaled $46,250. On March 18, 2008, the EPCOG wrote a check to Region IV for $46,250. According to the EPCOG CFO, the court ordered EPCOG to pay that amount because the FSS forfeited funds must be used for Section 8 expenses and EPCOG no longer had a Section 8 program. The check was deposited into Region IV's Bank of Clovis account on April 2, 2008.

J. Deficit Balance of Net Assets

Region IV had a negative net asset balance of $39,897 as of June 30, 2006.

K. Newly Issued or Adopted GASB Pronouncements

In April 2004, the GASB issued GASB Statement No. 43, Financial Reporting for Post Employment Benefits Plans Other than Pension Plans, which amends GASB Statements No. 14, 25, 26, 27, 31, and 34, which is effective for financial statements for periods beginning after December 15, 2005. The Statement establishes uniform financial reporting standards for other post-employment benefits plans and supercedes the interim guidance included in Statement No. 26. Region IV incorporated this statement for the current fiscal year, and currently believes it had no significant effect on the financial statements for the year.

In June 2004, the GASB issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits other then Pensions, an amendment to GASB Statements No. 10, 12, 27 and 26, which is effective for financial statements for periods beginning after December 15, 2006, with earlier application encouraged. The Statement establishes standards for the measurement, recognition and display of other post employment benefits expenses/expenditures and related liabilities, note disclosure and, if applicable, required supplementary information in the financial reporting of state and local governmental employers. Region IV is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In September 2006, the GASB issued GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is

effective for all periods beginning after December 31, 2006. The Statement establishes standards for reporting and disclosure of transactions involving the sale of receivable or future revenue stream. Depending on the continuing involvement of the government, the sale could be recorded as a sale or a collateralized borrowing. Region IV is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In November 2006, the GASB issued GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is effective for periods beginning after December 15, 2007. The Statement addressed accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. Region IV is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming years.

In May 2007, the GASB issued GASB Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27, which is effective for periods beginning after June 15, 2007. The Statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this statement amend applicable note disclosure and RSI requirements of Statements No. 25, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Post employment Benefits Plans Other Than Pensions Plans, and No. 45, Accounting Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. Region IV is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004, 2005, 2006 and 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Fiscal Year 2004			
Direct Programs:			
Section 8 Housing Administration	14.871	N/A	$ 263,628
Section 8 Housing Choice Vouchers	14.871	N/A	1,827,958
Total Expenditures of Federal Awards			$ 2,091,586

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Fiscal Year 2005			
Direct Programs:			
Section 8 Housing Administration	14.871	N/A	$ 60,142
Section 8 Housing Choice Vouchers	14.871	N/A	1,942,550
Total Expenditures of Federal Awards			$ 2,002,692

STATE OF NEW MEXICO
REGIONAL HOUSING AUTHORITY OF REGION IV
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004, 2005, 2006 and 2007

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Fiscal Year 2006			
Direct Programs:			
Section 8 Housing Administration	14.871	N/A	$ 145,274
Section 8 Housing Choice Vouchers	14.871	N/A	1,921,403
Total Expenditures of Federal Awards			$ 2,066,677

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Fiscal Year 2007			
Direct Programs:			
Section 8 Housing Administration	14.871	N/A	$ 136,829
Section 8 Housing Choice Vouchers	14.871	N/A	1,938,708
Total Expenditures of Federal Awards			$ 2,075,537

Note 1: The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting which is described in Note 1 of Region IV'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 including in various categories in the Statements of Revenues, Expenses and Changes in Fund Net Assets. During the fiscal years ended June 30, 2004, 2005, 2006 and 2007, there were no federal awards expensed in the form of non-cash assistance, and there were no loans or loan guarantees outstanding.

OFFICE OF THE STATE AUDITOR

Hector H. Balderas

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*

Executive Director and Board of Commissioners
Region IV Housing Authority, New Mexico, Inc.
600 Mitchell Street
Clovis, New Mexico 88202

We were engaged to audit the financial statements of the business-type activities of the Region IV Housing Authority, New Mexico, Inc. (Region IV) as of and for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 and have issued our report thereon dated December 9, 2008. We did not express an opinion on the basic financial statements for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 because of inadequate accounting records and because there is doubt about Region IV's ability to continue as a going concern. We conducted our audits 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 Region IV'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 Region IV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Region IV's internal control financial reporting.

Our consideration of the 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

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weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting.

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 entity ability to initiate, authorize, record, process, or report financial date reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatements of Region IV's financial statements that is more than inconsequential will not be prevented or detected by Region IV's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as 04-01, 04-02, 04-03, 05-01, 05-02, 06-01, 06-02, 06-03, 07-01, 07-02, 07-04, FA 04-01, FA 04-02, FA 04-03, FA 04-04, FA 04-05, FA 04-06, FA 05-01, FA 06-01.

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 Region IV'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 04-01, 04-02, 04-03, 05-01, 05-02, 06-01, 06-02, 06-03, 07-01, 07-02, and 07-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region IV'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 07-05.

We noted a certain matter which is required to be reported under the *Government Auditing Standards* January 2007 revision paragraphs 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which is described in the schedule of findings and questioned costs as finding 07-03.

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

This report is intended solely for the information and use of Region IV's management, the Board of Commissioners, the New Mexico Office of the State Auditor, the New Mexico State Legislature, 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.

office of the State Auditor

OFFICE OF THE STATE AUDITOR
December 9, 2008

OFFICE OF THE STATE AUDITOR

Hector H. Balderas

Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Executive Director and Board of Commissioners
Region IV Housing Authority, New Mexico, Inc.
600 Mitchell Street
Clovis, New Mexico 88202

Compliance

We were engaged to audit the compliance of the Region IV Housing Authority, New Mexico, Inc. (Region IV) 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 fiscal years ended June 30, 2004, 2005, 2006 and 2007. Region IV'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 Region IV.

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 would have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Region IV's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit

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provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Region IV's compliance with those requirements.

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

We do not express an opinion on Region IV's compliance with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004, 2005, 2006 and 2007.

Internal Control Over Compliance

The management of Region IV 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 Region IV's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Region IV'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 weaknesses as defined below. However, as discussed below, we identified and deficiencies in internal control over compliance that we considered to be significant deficiencies.

A *control deficiency* in Region IV'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 a combination of control deficiencies, that adversely affects Region IV's ability to administer a federal program such that there is a 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 Region IV's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 04-01, FA 04-02, FA 04-03, FA 04-04, FA 05-01 and FA 06-01 to be significant deficiencies.

A *material weakness* is a significant deficiency, or a 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 Region IV's internal

control. We consider all of the findings listed in the control deficiencies described in the paragraph above to be material weaknesses.

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

This report is intended solely for the information and use of Region IV's management, the Board of Commissioners, the New Mexico Office of the State Auditor, the New Mexico Legislature, 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.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR
December 9, 2008

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004, 2005, 2006 AND 2007

SECTION I –

Summary of Auditor's Results:

Report on Financial Statements

1. The auditor's report expresses a disclaimer of opinion on the financial statements of Region IV.
2. Significant deficiencies were disclosed by the audit of the financial statements, eleven were considered to be material weaknesses.
3. One instance of noncompliance material to the financial statements of Region IV was noted.
4. We consider the following findings on significant deficiencies over internal control for major programs FA 04-01, FA 04-02, FA 04-03, FA 04-04, FA 05-01 and FA 06-01 to be material weaknesses.
5. The auditor's report on compliance for the major federal award program for Region IV expresses a disclaimer of opinion.
6. There were six audit findings relative to Region IV's major federal award program as required to be reported under 510(a) of Circular A-133.
7. The major program is Section 8 Housing Voucher Program CFDA No. 14.871.
8. The threshold for distinguishing Type A and B programs was $300,000.
9. Region IV was not determined to be a low-risk auditee.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004, 2005, 2006 AND 2007

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

SECTION II - Financial Statement Findings

CURRENT YEAR AUDIT FINDINGS

04-01. Lack of Supporting Documentation for Expenditures

Condition
Out of nineteen purchases tested, nineteen did not have purchase documents (i.e. invoices, vouchers, or certification that goods or services were received) or any other supporting documents to document board approval or to verify the check amount for a total of $298,737.

Criteria
Good accounting practices and the Procurement Code, Chapter 13, Article I NMSA 1978, require all commitments to purchase goods or services must be documented by a properly completed purchase document. Also, it is require that approval on all requests of payment and that proper supporting documentation be kept on all purchases.

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

Cause
Documentation could not be located. It appears the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
We recommend 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 and sufficient retention of all purchase documents.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

04-02 Lack of Accounts Payable Documentation

Condition
There was no documentation of outstanding invoices; therefore, we were unable to apply generally accepted auditing procedures to accounts payable. The amount by which this departure would affect the liabilities and expenditures of all Region IV's funds is not reasonably determinable.

Criteria
Good accounting practices, generally accepted accounting practices (GAAP) and the Procurement Code, Chapter 13, Article 1 of NMSA 1987 which requires all commitments to purchase goods or services must be documented by a properly completed purchase document. The Procurement Code Chapter 13 of NMSA 1987 also, requires authorization on all request of payment and that proper supporting documentation be kept on all purchases.

Effect
The accounting records do not support the financial statements and disclosure presentation. The financial statements could be misstated.

Cause
Documentation could not be located. It appears the documentation may have been misplaced, lost, or discarded when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
We recommend that all purchase documents have attached invoices, and/or other appropriate supporting documentation and sufficient retention of all purchase documents. Furthermore that Region IV record accounts payables and maintain adequate accounts payables records.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004, 2005, 2006 AND 2007

04-03. No Cash Reconciliations and Missing Bank Statements

Condition
During our audit test work of cash, we found Region IV was not properly maintaining bank reconciliations for each of its depository accounts. For numerous months, Region IV was missing original bank statements to support the bank balances and book balances for each account. We were not able to verify that cash reconciliations were performed.

Criteria
Good accounting practices and internal controls require Region IV to properly maintain accurate books and records of cash balances on a day-to-day basis. Section 2.20.5.8.C(4) NMAC states cash account records are to be reconciled timely each month.

Cause
The accounting staff failed to properly maintain the books and records for the cash reconciliation process. Also, Region IV did not file and maintain the proper supporting documentation for cash reconciliations. Without the proper supporting documents, we could not trace the bank balances and review the deposits in transit as well as the outstanding checks.

Effect
The lack of control over cash transactions caused a delay in the audit test work for the cash audit program because we were required to request the bank statements from each applicable financial institution to prepare proof of cash reconciliations for each account. Errors or irregularities may not have been detected during the normal course of business.

Recommendation
We recommend Region IV prepare cash reconciliations for each depository account to reflect the cash transactions to its financial statements. Timely monthly cash reconciliations should be performed each month. Region IV should maintain and file proper supporting documentation for its cash balances at the opening and closing of each period.

Agency Response
Even though current management was not involved in the operations we concur with the State Auditor's finding.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004, 2005, 2006 AND 2007

05-01 Lack of Supporting Documentation for Expenditures

Condition
Out of ninety-two purchase documents tested, ninety-two did not have purchase documents (i.e. invoices, vouchers) or any other supporting documents to document board approval or to verify the check amount for a total of $334,706.

Criteria
Good accounting practices and the Procurement Code Chapter 13, Article 1 of NMSA 1987 which requires purchase documentation and supporting documentation for a properly completed purchase document. The Procurement Code Chapter 13, Article 1 of NMSA 1987 also, requires the approval on all requests of payment.

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 the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

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 and sufficient retention of all purchase documents.

Agency Response
Even though current management was not involved in the operations we concur with the State Auditor's finding.

05-02. Lack of Accounts Payable Documentation

Condition
There was no documentation of invoices; therefore, the auditor was unable to apply generally accepted auditing procedures to accounts payable. The amount by which this departure would affect the liabilities and expenditures of all Region IV's funds is not reasonably determinable.

Criteria
Good accounting practices and the Procurement Code Chapter 13, Article 1 of NMSA 1987 which requires purchase documentation and supporting documentation for a properly completed purchase document. The Procurement Code Chapter 13, Article 1 of NMSA 1987 also, requires the approval on all requests of payment.

Effect
The accounting records do not support the financial statement and disclosure presentation.

Cause
Documentation could not be located. It appears the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
We recommend that all purchase documents have attached invoices, and/or other appropriate supporting documentation and sufficient retention of all payable documents.

Audit Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

06-01. Lack of Supporting Documentation for Expenditures

Condition
Out of seventy-one purchase documents tested, seventy-one did not have purchase documents (i.e. invoices, vouchers) or any other supporting documents to document board approval or to verify the check amount for a total of $115,891.

Criteria
Good accounting practices and the Procurement Code Chapter 13, Article 1 of NMSA 1987 which requires purchase documentation and supporting documentation for a properly completed purchase document. The Procurement Code Chapter 13, Article 1 of NMSA 1987 also, requires the approval on all requests of payment.

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 the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

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 and sufficient retention of all purchase documents.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

06-02. Lack of Accounts Payable Documentation

Condition
There was no documentation of invoices; therefore, the auditor was unable to apply generally accepted auditing procedures to accounts payable. The amount by which this departure would affect the liabilities and expenditures of all Region IV's funds is not reasonably determinable.

Criteria
Good accounting practices and the Procurement Code Chapter 13, Article 1 of NMSA 1987 which requires invoices for all purchase goods or services must be retained.

Effect
The accounting records do not support the financial statement and disclosure presentation.

Cause
Documentation could not be located. It appears the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
We recommend that all purchase documents have attached invoices, and/or other appropriate supporting documentation and sufficient retention of all purchase documents.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

06-03. Due to Region III from Region IV was not Formally Authorized

Condition
During our audit of Region IV, we did not find documentation demonstrating that the amounts owed to Region III Housing Authority were formally authorized by Region IV's Board of Director's (Board). Region IV expenses were paid by Region III on behalf of Region IV or Region III made cash advances to Region IV. We also did not find documentation demonstrating that the Board delegated the authority to Region IV management to obtain loans from Region III. In addition, it appears that there were no signed documents for the loan between Region IV and Region III for the repayment of these loans.

Criteria
The obtaining of loans from other regional housing authorities is an exercise of power by Region IV that requires formal authorization by the Board pursuant to the Regional Housing Law, Chapter 11, Article 3A.

Effect
Region IV did not comply with the provisions of the Regional Housing Law. Region III either advanced funds to Region IV or paid expenditures on their behalf. Region IV currently has a substantial outstanding debt to Region III. These loan transactions caused Region IV to be in debt more than they can repay.

Cause
Management of Region IV either disregarded the prerequisite of Board authorization for obtaining money or the management of Region IV was not aware of the requirement.

Recommendation
We recommend that obtaining of money from other regional housing authorities by Region IV be formally authorized by the Board.

Agency Response
Even though current management of Region III Housing Authority was not involved in the operation, we concur with the Office of the State Auditor's finding.

07-01. Lack of Supporting Documentation for Expenditures

Condition
Out of fifty-four purchase documents tested, fifty-four did not have supporting documents to document board approval for a total of $1,130,921. Also, out of fifty-four purchase documents tested, forty-three did not have any supporting purchase documents (i.e. invoices, vouchers) for a total of $1,097,929. Also, out of fifty-four purchase documents tested, thirty-two of the amounts could not be verified due to lack of canceled checks or check stubs for a total of $971,284.

Criteria
Good accounting practices and the Procurement Code Chapter 13, Article 1 of NMSA 1987 which requires purchase documentation and supporting documentation for a properly completed purchase document. The Procurement Code Chapter 13, Article 1 of NMSA 1987 also, requires the approval on all requests of payment.

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 the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

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 and sufficient retention of all purchase documents.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

07-02. Poor Record Keeping

Condition
Out of twenty-three purchase documents tested, twenty-three were improperly recorded in the General Ledger. The disbursements entered in the General Ledger did not include check numbers. The total amount of checks without check numbers totaled $854,186.

Criteria
For good accounting practices and internal controls all records should be recorded timely and accurately. Complete recording also involves recording the proper source document including check number or journal entry so a transaction has adequate audit trail.

Effect
Checks are not easily traceable to verify payment. It is also easier for staff and management to have the potential to manipulate the checks to be used inappropriately.

Cause
Documentation could not be located. It appears the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
We recommend that all disbursements are approved, have an assigned check number, and other appropriate supporting documentation when disbursed and sufficient retention of all purchase documents.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

07-03. Wrong Check Number Recorded

Condition
Out of fifty-four purchase documents tested, the same check number was used twice for a total of $159.

Criteria
For good accounting practices and internal controls all records should be recorded timely and accurately. Complete recording also involves recording the proper source document including check number or journal entry so a transaction has adequate audit trail. From an internal control standpoint checks numbers should unique and not duplicated.

Effect
Region IV would be unable to easily determine the proper check number when it cleared the bank. It also would not be easily determinable within the accounting system which would be the proper check. There is a potential for duplicate payments being made for expenditures.

Cause
It appears that Region IV had poor record keeping of their disbursements.

Recommendation
We recommend that all disbursements are assigned unique check numbers and checks numbers are not duplicated.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

07-04 Missing Documentation for Payroll

Condition
Out of ten payroll documents tested, ten instances of missing time sheets were documented for a total gross pay of $11,962. Also, three instances of missing pay stubs were documented for a total gross pay of $3,692.

Criteria
Good accounting practices, state and federal labor laws require that employers retain accurate record of work performed in the way of signed timesheets or other acceptable documentation that can be traced to the time an employee was paid for the work performed.

Effect
Region IV may have overpaid its employees.

Cause
Documentation could not be located. It appears the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
Region IV should ensure that all payroll expenditures are accurately prepared, properly documented and maintained for auditing purposes. Region IV should also ensure that all required supporting documentation be attached before payment is made.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

07-05 Lack of Proper Authorization of Travel Expense

Condition
Based on our test work for Region IV reimbursements for travel, the documentation was lacking proper authorization when an employee requested travel reimbursements. Based on our test work, employees were signing off on their own travel/per diem request forms and management/board were not approving the disbursement prior to processing of payment.

Criteria
Good accounting practices and Section 2.42.2 NMAC, promulgated pursuant to the Per Diem and Mileage Act, Chapter 10, Article 8 NMSA 1978, requires the correct approval of all per diem requests.

Effect
Not having the correct authorization on per diem requests could result in the over/under payment of travel expenses.

Cause
It appears that Region IV was not following model accounting practices in regards to approving and processing the per diem and mileage reimbursements.

Recommendation
We recommend that travel per diem requests have proper approval before payments for travel and per diem are paid to employees. Region IV should follow the guidelines set forth by the Per Diem and Mileage act.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding.

SECTION III - Federal Awards Findings

FA 04-01 Lack of Documentation to Support Promissory Notes Payable

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

Condition
During review of the promissory notes receivable for fiscal years ended June 30, 2004, 2005, 2006 and 2007, we were unable to verify and confirm agreements for four of the eight tenants with repayment agreements. Proper file maintenance was not ensured to adequately document repayment of HUD benefits to Region IV.

Also, Region IV was unable to provide us with any reports that are required to be submitted to the federal grantor as required by the grant agreement or the compliance supplement.

Criteria
Good accounting practices and OMB A-133 Supplemental Compliance require proper file maintenance and repayment of monies received with information that was subsequently found to be incorrect.

Cause
Multiple staff changes as well as management of Region IV have not provided adequate oversight of file maintenance and repayment schedule providing accurate balances for staff and tenants.

Effect
The ability of Region IV staff and management is diminished without access to accurate and complete financial information regarding the clients. Also, the repayments of federal funds are to be maintained and reviewed on a constant basis to insure tenant is in compliance with all program requirements. The lack of control over who pays and is authorized to receive subsidized housing could result in having tenants that are not in compliance with the housing requirements of HUD.

Questioned Costs
None.

Recommendation
Proper documentation should be maintained in all client files as well as accounting records monitored for prompt payment and tenant program compliance.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

FA 04-02. Lack of Supporting Documentation

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No.14.871

Condition
Based on the lack of tenant files and lack of invoices, copies of the checks and copies of the cancelled checks, we were unable to determine complete compliance for the federal award program for fiscal year ended June 30, 2004, 2005, 2006, and 2007. For fiscal year 2004, we had only 14 out of the 25 tenants files sampled for the fiscal year. For fiscal year 2005, we had only 8 out of the 25 tenant files sampled. For fiscal year 2006, we had only 4 tenant files out of the 25 tenant files sampled. For fiscal year 2007, we had only 7 out of the 25 tenant files sampled. Based on the lack of tenant files, we were unable to determine if:

- All tenants were eligible for Section 8 Housing Choice Vouchers;
- Region IV properly determined reasonable rent for each of the units leased by the tenants of the 25 sampled each year;
- Region IV was properly inspecting all tenants housing units on an annual basis of the 25 sampled each year; and
- Region IV was properly determining each utility allowance and correctly reimbursing individuals for utility assistance of the 25 sampled each fiscal year.

Also, Region IV was unable to provide us with any reports that are required to be submitted to the federal grantor as required by the grant agreement or the compliance supplement.

Due to the items noted above we were unable to properly examine Region IV's compliance with OMB Circular A-133.

Criteria:
Good accounting practices and the Procurement Code, Chapter 13, Article 1 NMSA 1978, require that complete records are maintained for all accounting activity. A-133 also requires accurate records of transactions relating the use of federal award grants.

Effect
Not having proper documentation results in the lack of a determination of complete compliance with A-133 which could result in loss of federal funding.

Questioned Costs
None.

Cause
Documentation could not be located. It appears the documentation may have been misplaced or lost when the documentation was transferred between Region IV's fiscal agents and then ultimately to the Region IV. The documentation was first transferred when Region IV changed fiscal agents from Eastern Plains Council of Governments (EPCOG) to Eastern Plains Housing Development Corporation (EPHDC). Finally, Region IV received the documents after EPHDC no longer served as Region IV's fiscal agent.

Recommendation
We recommend Region IV properly maintain all records relating to the federal award programs to maintain compliance with A-133.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

FA 04-03. Cash Management

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

Condition
During the fiscal year ended June 30, 2004, funds earned from administrative fees from Section 8 Housing were not sufficient to meet Region IV's operating expenses. Region IV had an operating loss of $4,742.

Criteria
A-133 Supplemental Compliance requires that restricted programs funds from HUD be used only for program specific expenses and not overall operating expenses.

Effect
Region IV has the potential to lose funding from HUD.

Questioned Costs
None.

Cause
It appears Region IV was not properly m anaging its operating expenses for the Section 8 program.

Recommendation
Region IV should take action to ensure tighter controls on operating expenses and should ensure that funding is in place that will generate revenues sufficient to cover operating expenses.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004, 2005, 2006 AND 2007

FA 04-04. Late Data Collection Form Submission

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

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 the fiscal years ended June 30, 2004, 2005, 2006 and 2007 was not submitted by the required final due date of March 31 of each corresponding year. Region IV 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(s), or nine months after the end of the audit period. Based on this regulation, the latest Region IV could have filed the Data Collection Form in a timely manner with the Federal Audit Clearinghouse was March 31, 2008. OMB Circular A-133 Section 320(a) permits the oversight agency for audit to grant an extension of time for submitting the Data Collection Form if the request for extension is submitted in advance of the regular due date noted in the previous sentence.

Effect
Region IV is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize Region IV's eligibility for funding from Federal agencies. Late audit report submission also prevents the timely release of financial data.

Cause
Region IV financial audit for fiscal years ended June 30, 2004, 2005, 2006, and 2007 was not started until August 2008.

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

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004, 2005, 2006 AND 2007

FA 04-05. No Financial Data Schedule or Electronic Submission to HUD

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

Condition
The Financial Data Schedule was not presented in the audit report and the schedule was not electronically submitted to HUD's REAC staging data base for the fiscal years ended June 30, 2004, 2005, 2006 and 2007.

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

Effect
This violation could potentially jeopardize Region IV's eligibility for funding from federal agencies.

Cause
Region IV neglected to prepare the schedule and submit the information to HUD for fiscal years ended June 30, 2004, 2005, 2006, and 2007.

Recommendation
Region IV should prepare the schedule and submit the information to HUD as required.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

FA 05-01. Cash Management

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

Condition
During the fiscal year ended June 30, 2005, funds earned from administrative fees from Section 8 Housing were not sufficient to meet Region IV's operating expenses. Region IV had an operating loss of $109,456.

Criteria
A-133 Compliance Supplemental requires that restricted programs funds from HUD be used only for program specific and not overall operating expenses.

Effect
Region IV has the potential to loss funding from HUD.

Questioned Costs
None.

Cause
It appears Region IV was not properly managing its operating expenses for the Section 8 program.

Recommendation
Region IV should take action to ensure tighter controls on operating expenses and should ensure that funding is in place that will generate revenues sufficient to cover operating expenses.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

FA 06-01. Cash Management

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

Condition
During the year ended June 30, 2006, funds earned from administrative fees from Section 8 Housing were not sufficient to meet Region IV's operating expenses. Region IV had an operating loss of $42,716.

Criteria
A-133 requires that restricted programs funds from HUD be used only for program specific expenses and not overall operating expenses.

Effect
Region IV has the potential to lose funding HUD.

Questioned Costs
None.

Cause
It appears that Region IV was not properly managing its operating expenses for the Section 8 program.

Recommendation
Region IV should take action to ensure tighter controls on operating expenses and should ensure that funding is in place that will generate revenues sufficient to cover operating expenses.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

FA 06-02. Section 8 Funds was Transferred to Non-Section 8 Bank Account

Federal Grantor - U.S. Department of Housing and Urban Development Program
Section 8 Housing Choice Voucher
CFDA No. 14.871

Condition
During the audit for fiscal year ended June 30, 2007, Section 8 funds totaling $12,000 were transferred by Region IV to a non-Section 8 bank account and expenditures were made from the account for general operating purposes other than the Section 8 program.

Criteria
A-133 requires that restricted Section 8 program funds from HUD only be used for the Section 8 program.

Effect
Region IV used restricted funds for purposes other than the Section 8 program.

Questioned Cost
None.

Cause
It appears that Region IV's Board of Commissioners was not properly managing restricted funds for the Section 8 program.

Recommendation
Region IV should take action to ensure that restricted funds only be used for the Section 8 program.

Agency Response
Even though current management was not involved in the operations, we concur with the State Auditor's finding. However, current management plans to take corrective action on this matter, if necessary.

SECTION IV - CORRECTIVE ACTION PLAN

A corrective action plan was unavailable due to the fact that Region Housing Authority IV was transferred to Region Housing Authority VI on May 8, 2008.

STATE OF NEW MEXICO
REGION IV HOUSING AUTHORITY, NEW MEXICO, INC.

EXIT CONDITION
JUNE 30, 2004, 2005, 2006 AND 2007

Financial Statement Preparation

The accompanying financial statements were prepared by the Office of the State Auditor (OSA). However, the contents remain the responsibility of Region IV.

Exit Conference

On December 9, 2008 an exit conference was held at Region IV Office with Mr. Chris Herbert, Executive Director of Region IV. Representing the OSA was Chan Kim, CPA, Audit Manager. The results of the audit and the contents of this report were discussed.