OFFICE OF THE STATE AUDITOR

Hector H. Balderas

STATE OF NEW MEXICO

REGION VII HOUSING AUTHORITY, NEW MEXICO, INC.

FINANCIAL STATEMENTS
Fiscal Years Ended December 31, 2006 and 2007

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO

REGION VII HOUSING AUTHORITY, NEW MEXICO, INC.

FINANCIAL STATEMENTS
Fiscal Years Ended December 31, 2006 and 2007

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STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, NEW MEXICO, INC.
TABLE OF CONTENTS
DECEMBER 31, 2006 AND 2007

INTRODUCTORY SECTION		Exhibit	Page
Table of Contents			i
Official Roster			ii
FINANCIAL SECTION			
Independent Auditor's Report			1
Basic Financial Statements:			
Statement of Net Assets-Enterprise Fund	1	3	
Statement of Revenues, Expenses and Changes in Fund Net Assets-Enterprise Fund		2	4
Statement of Cash Flows-Enterprise Fund		3	5
Notes to the Financial Statements			6
OTHER REPORTS			
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*			16
Status of Prior Year Audit Findings			18
Schedule of Findings and Responses			18
Exit Conference			25

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, NEW MEXICO, INC.
OFFICAL ROSTER
DECEMBER 31, 2006 AND 2007

Board of Commissioners	Position
Marjorie Gogolya	Chairman
Charles Gallegos	Vice Chairman
Benigno "Bennie" Barreras	Member

Administrative Staff	
Pat Carreon-Ralston	Executive Director

OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Executive Director and Board of Commissioners
Region VII Housing Authority, New Mexico, Inc.
809 Copper Ave, NW
Albuquerque, New Mexico 87102

We were engaged to audit the accompanying financial statements of the business-type activities of the Region VII Housing Authority, New Mexico, Inc. (Region VII) as of and for the fiscal years ended December 31, 2006 and 2007 which collectively comprise Region VII's basic financial statements as listed in the table of contents. The financial statements are the responsibility of Region VII's management.

The scope of our audit of Region VII was severely limited due to the lack of numerous accounting records for the fiscal years ended December 31, 2006 and 2007. A capital asset inventory was not performed by Region VII and a capital asset listing was not available. No payroll documentation was available. No records were available for accounts payable or accrued payroll liabilities. Also, a large percentage of the cash disbursement and expenditure documentation was missing.

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 VII.

The accompanying financial statements referred to above have been prepared assuming that Region VII will continue as a going concern. As discussed in Note IV. C and D to the financial statements, Region VII has incurred a net loss for the fiscal year ended December 31, 2006 of $116,060. Also, Region VII ceased operations in September 2006 due to the lack of operating revenue. These conditions raise substantial doubt about Region VII's ability to continue as a

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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.

Region VII has not presented the Management's Discussion and Analysis required by *GASB Statement No. 34* that the Governmental Accounting Standards Board 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 VII'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 audits performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of the State Auditor

OFFICE OF THE STATE AUDITOR
December 9, 2008

Exhibit 1

State of New Mexico
Region VII Housing Authority, New Mexico, Inc.
Statement of Net Assets
Enterprise Fund
December 31, 2006 and 2007

	2006	2007
ASSETS		
Current Assets:		
Cash	$ 188	$ 426
Due from other agencies	250	250
Refundable deposit	100	100
Total Current Assets	538	776
Noncurrent Assets:		
Capital Assets:		
	13,846	13,846
Less accumulated depreciation	(7,214)	(7,214)
Total Noncurrent Assets	6,632	6,632
Total Assets	7,170	7,408
LIABILITIES		
Current Liabilities:		
Accounts payable	-	-
Total Current Liabilities	-	-
Non-current Liabilities:		
Due to HEI	7,630	7,630
Due to Region III	552,830	552,830
Total Non-current Liabilities	560,460	560,460
Total Liabilities	560,460	560,460
NET ASSETS:		
Invested in capital assets	6,632	6,632
Unrestricted(Deficit)	(559,922)	(559,684)
Total Net Assets	$ (553,290)	$ (553,052)

The notes to the financial statements are an integral part of these statements.

Exhibit 2

State of New Mexico
Region VII Housing Authority, New Mexico, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Fund
For the Years Ended December 31, 2006 and 2007

	2006	2007
Operating Revenues:		
Interest income	$ 57	$ -
Miscellaneous Income	173	238
Transfer from HEI	3,104	-
Total Operating Revenues	3,334	238
Operating Expenses:		
General and administrative	116,625	-
Depreciation	2,769	-
Total Operating Expenses	119,394	-
Operating Income/(Loss)	(116,060)	238
Change in Net Assets	(116,060)	238
Total Net Assets - Beginning	(437,230)	(553,290)
Total Net Assets - Ending	$ (553,290)	$ (553,052)

The notes to the financial statements are an integral part of these statements.

Exhibit 3

State of New Mexico
Region VII Housing Authority, New Mexico, Inc.
Statement of Cash Flows
Enterprise Fund
For the Years Ended December 31, 2006 and 2007

	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from sales or services	$ 3,277	$ -
Payments to suppliers and on behalf of employees	(111,614)	-
Other receipts (payments)	57	238
Net Cash Provided (Used) By Operating Activities	(108,280)	238
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from other agencies	101,557	-
Net Cash Provided by Investing Activities	101,557	-
Net (Decrease) Increase in Cash and Cash Equivalents	(6,723)	238
Balances - beginning of the year	6,911	188
Balances - end of the year	$ 188	$ 426
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (116,060)	$ 238
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	2,769	-
Change in Assets and Liabilities		
Accrued Expenses	(2,618)	-
Due to HEI	7,630	-
Net Cash Provided (Used) by Operating Activities	$ (108,279)	$ 238

The notes to the financial statements are an integral part of these statements.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, NEW MEXICO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007

I. Summary of Significant Accounting Policies

A. General

The Region VII Housing Authority, New Mexico, Inc. (Region VII) 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. Region VII consists of Socorro, Sierra and Dona Ana Counties. Region VII also assists other organizations and units of local government to operate, manage and administer housing programs and projects. Region VII commenced operations on June 11, 2003, and it was incorporated as a New Mexico non-profit on March 30, 2005. However, Region VII's corporation license was revoked on April 9, 2008.

B. Reporting Entity

Region VII's basic financial statements include the accounts of all Region VII operations. The criteria for including organizations as component units within Region VII'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 VII holds the corporate powers of the organization;
- Region VII appoints a voting majority of the organization's board;
- Region VII is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on Region VII; and
- There is fiscal dependency by the organization on Region VII.

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

C. Financial Statements

The financial statements of Region VII have been prepared on the economic resources measurement focus and the accrual basis of accounting. Region VII 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, and accountability.

Proprietary Fund Type - The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Region VII financial statements have neither funds nor component units that are fiduciary in nature.

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

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.

The enterprise 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. Region VII has no program revenue.

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 revenue of Region VII is 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 VII's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets and Liabilities

1. Cash

Cash consists of demand deposits.

2. Accounts Payable

Due to lack of documentation, accounts payable for fiscal years ended December 31, 2006, and 2007 were unable to be determined. There were no records of invoices, vouchers, or any other purchase documentation for these years.

3. Capital Assets

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 VII 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. The range of estimated useful lives by type of asset is as follows:

Furniture & Equipment	5 years

4. Compensated Absences

Vested or accumulated leave with pay is reported as an expenditure and a fund liability of the enterprise funds. A salaried employee is able to accrue up to 10 days a year of accumulated leave. Accumulated leave may be accrued up to a maximum of 30 days. As of fiscal years ended December 31, 2006 and 2007, no balance of accrued annual leave with pay could be determined, therefore, no liability has been recorded.

5. Cash Flows

For the purpose of the Statement of Cash Flows, Region VII considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

6. Revenues

Operating revenues are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Operating revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs. Revenues that

are not classified as program revenues, including interest and contributions, are presented as non-operating revenues.

F. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared by Region VII management and approved by Region VII's Board of Commissioners (Board). Budgets are not legally required by New Mexico Department of Finance and Administration's Local Government Division. No budgets were prepared for the fiscal years ended December 31, 2006 and 2007.

III. Detailed Notes on all Funds

A. Cash

As of December 31, 2006, Region VII had a balance of $188. The bank balance consists of:

Citizens Bank	
Demand deposits – Checking	$ 188
Less: FDIC coverage	(188)
Amount uninsured	$ -0-

As of December 31, 2007, Region VII had a balance of $426. The bank balance consists of:

Citizens Bank	
Demand deposits - Checking	$426
Less: FDIC coverage	(426)
Amount uninsured	$ -0-

Custodial credit risk is the risk in the event of a bank failure of the counterparty, Region VII will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Region VII's cash balances are not exposed to custodial credit risk. All deposits are covered by the Federal Deposit Insurance Corporation.

B. Accounts Receivable

Accounts receivable consist of amounts due for service fees and other amounts paid on behalf of other housing authorities.

C. Capital Assets

Capital asset activity for the fiscal years ended December 31, 2006 and 2007 were as follows:

Description	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Business Type-Activities:				
Equipment	$ 13,846	$ -	$ -	$ 13,846
Totals at historical cost	13,846	-	-	13,846
Less: Accumulated depreciation				
Equipment	(4,445)	(2,769)	-	(7,214)
Total accumulated depreciation	(4,445)	(2,769)	-	(7,214)
Net capital assets	$ 9,401	$ (2,769)	$ -	$ 6,632

Description	Balance 12/31/06	Additions	Deletions	Balance 12/31/07
Business Type-Activities:				
Equipment	$ 13,846	$ -	$ -	$ 13,846
Totals at historical cost	13,846	-	-	13,846
Less: Accumulated depreciation				
Equipment	(7,214)	-	-	(7,214)
Total accumulated depreciation	(7,214)	-	-	(7,214)
Net capital assets	$ 6,632	$ -	$ -	$ 6,632

D. Due From and Due to Other Agencies

1. Due To Other Agencies

Region VII did not have operating revenue. Region III either advanced funds to Region VII or paid expenditures on behalf of Region VII to cover Region VII's operating expenses. At the beginning of fiscal year ended December 31, 2006, Region III either advanced funds to Region VII or paid expenditures on Region VII's behalf in the amount of $451,274. During fiscal year 2006, Region III either advanced funds to Region VII or paid expenditures on Region VII's behalf in the amount of $109,187. In fiscal year 2007, there were no advances of funds to Region VII or expenditures paid on Region VII's behalf. Therefore, as of December 31, 2007, Region VII owes Region III a total of $560,460.

In order to find out if the loans were formally approved, auditors reviewed available minutes for Region VII's Board of Commissioners (Region VII Board) and Region III's Board of Commissioners (Region III Board). All of the Region VII Board minutes were not available for review, and the available minutes do not reflect any discussion of the loans by the Region VII Board. The Region III Board minutes show that discussions pertaining to the loans occurred; however, the Region III Board did not formally approve the loans.

It appears that the requests for funds for advances to Region VII were approved by Region III's executive director as evidenced by a cancelled check which was signed by him for funds advanced to Region VII. In addition, the board meeting minutes for Region III noted there were no signed documents by Region VII for the loan or how it was to be paid back. This was all done verbally.

Due to Region III:

	12/31/06	12/31/07
Beginning Balance	$ 451,274	$ 552,830
Cash Advance	100,556	-
Supplies	1,000	-
Ending Balance	$ 552,830	$ 552,830

Due to HEI:

	12/31/06	12/31/07
Beginning Balance	$ -	$ 7,630
Legal Fees	2,742	-
Miscellaneous Expense	75	-
Per Diem	1,854	-
Retirement	1,603	-
Training	1,356	-
Ending Balance	$ 7,630	$ 7,630

Due From Other Agencies:

Due from other agencies represents a receivable from Housing Enterprises, Inc. (HEI) for costs paid by the Region VII on behalf of HEI. HEI is a blended component of the Region III and serves housing authorities throughout New Mexico. The balance due for the year ended December 31, 2006 and 2007 was $250.

E. Long-Term Debt

Region VII has no long term debt for fiscal years ending December 31, 2006 and 2007.

STATE OF NEW MEXICO
REGION VII HOUSING AUTHORITY, NEW MEXICO, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007

F. Schedule of Operating Expenses

	2006	2007
Advertising	$ 383	$ -
Legal	2,606	-
Depreciation expense	2,769	-
Consulting	9,654	-
Equipment/storage rental: other	1,011	-
Group health insurance	8,835	-
Payroll - employee retirement	4,957	-
Payroll expense	42,616	-
Payroll tax expense	3,622	-
Postage & delivery	300	-
Rent	7,600	-
Maintenance supplies	80	-
Maintenance services	16	-
Office supplies	1,768	-
Telephone	4,945	-
Utilities	2,615	-
Miscellaneous	338	-
Mileage	4,265	-
Staff per diem	3,175	-
Board Mileage	3,848	-
Board Per Diem	5,005	-
Employee/Board	1,356	-
Unrecorded items due to Region III	7,630	-
	$ 119,394	$ -

IV. Other Information

A. Employee Retirement Benefits

Region VII offers a tax-sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b) for all full-time employees. Employees may elect to defer a portion of their wages and Region VII has the option to make a discretionary matching contribution. Plan expenses incurred by Region VII for the year ended December 31, 2006 were $4,957. Region VII ceased operations in September 2006 due to the lack of operating revenue; therefore, there were no expenses incurred by Region VII for the year ended December 31, 2007.

Region VII employees did not participate in the Public Employees Retirement Association's retirement plan (PERA).

B. Financial Data Schedule

During 2006 and 2007, Region VII did not receive any monies from the U.S. Department of Housing and Urban Development (HUD); therefore, it is not required to prepare or submit a financial data schedule (FDS) to the HUD Real Estate Assessment Center.

C. Deficit Net Assets

Region VII has a net asset deficit of $553,290 and $553,052 for the years ended December 31, 2006 and 2007, respectively. Region VII ceased operations in September 2006 due to the lack of operating revenue.

D. Going Concern

Region VII did not generate revenue to fund its daily operations. Region III either advanced funds to Region VII or paid expenditures on behalf of Region VII to cover Region VII's operating expenses. Region VII currently has a substantial outstanding debt owed to Region III for monies transferred to Region VII for operating expenses. As of fiscal years ended December 31, 2006 and 2007, Region VII owes Region III and HEI $560,460.

E. Missing Documentation

Region VII ceased operations in September 2006 due to the lack of operating revenue. All records for Region VII were transferred to the Region III Housing Authority (MRCOG). However, auditors did not find payroll documentation for Region VII. Therefore, payroll could not accurately be tested for Region VII.

There were two Internal Revenue Service 941s on record. These were for the periods of January 2006 through March 2006, and April 2006 through May 2006. There was no total amount of gross wages found for each calendar year. Therefore, totals on the filed 941 forms for Region VII for calendar year 2006 could not be compared.

Based on Region VII ceasing operations, a capital asset list for 2006 and 2007 appears to have been misplaced and the yearly inventory list at the end of the fiscal year was not conducted for fiscal year ended December 31, 2006 and 2007. Therefore, the capital assets list was not available. A copy of the capital asset list was obtained from the prior year audit work papers and the accumulated depreciation and capital asset balances at historical cost were obtained from the prior year audit report.

Overall, a large percentage of Region VII's disbursement documentation was missing. The documents were either never maintained, or they could have been lost, or misplaced when the expenditure folders were transferred to the MRCOG when Region VII ceased operations in September 2006.

Due to the lack of documentation, the accounts payable and accrued payroll for fiscal years ending December 31, 2006 and 2007 were unable to be determined. There was no record of purchase documents, invoices, vouchers, or any other supporting documentation for these years.

F. GASB Statement Implementations

In May 2007, GASB issued 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 (OPEB) 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 VII 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.

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 VII Housing Authority, New Mexico, Inc.
809 Copper Avenue, NW
Albuquerque, New Mexico 87102

We were engaged to audit the financial statements of the business-type activities of the Region VII Housing Authority, Inc. (Region VII) as of and for the fiscal years ended December 31, 2006 and 2007 and have issued our report thereon dated December 9, 2008. We issued a disclaimer of opinion because of inadequate accounting records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Region VII'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 VII's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Region VII's internal control over 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 weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Region VII's financial statements that is more than inconsequential will not be prevented or detected by Region VII's internal control. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses as items 06-01, 06-02, 06-04, 06-06, 06-07 and 06-08 to be significant deficiencies in internal control over financial reporting. 7890890

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 VII's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01, 06-02, 06-04, 06-06, 06-07 and 06-08 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region VII's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 06-03 and 06-05.

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

This report is intended solely for the information and use of Region VII's management, the Board of Commissioners, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico State Legislature and grantors 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 VII HOUSING AUTHORITY, NEW MEXICO, INC.

SCHEDULE OF FINDING AND RESPONSES
DECEMBER 31, 2006 AND 2007

STATUS OF PRIOR YEAR AUDIT FINDINGS

No findings were reported for the fiscal year ending December 31, 2005.

CURRENT YEAR AUDIT FINDINGS

06-01. Missing Documentation for Payroll

Condition
Out of six payroll documents tested, six instances of missing time sheets were documented. Also, six instances of missing pay stubs were documented for a total gross pay of $8,919.

Criteria
Good accounting practices require proper documentation retention for payroll transactions and establishes requirements and procedures for reporting and certification of employee hours worked.

Effect
Region VII may have overpaid its employees.

Cause
Documentation appears to have either been misplaced due to Region VII being dissolved or never maintained.

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

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

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

SCHEDULE OF FINDING AND RESPONSES
DECEMBER 31, 2006 AND 2007

06-02. Amount Due to Region III from Region VII was not Formally Authorized

Condition
During our audit of Region VII, we did not find documentation demonstrating that the amounts owed to Region III Housing Authority were formally authorized by Region VII's Board of Director's (Board). Region VII expenses were paid by Region III on behalf of Region VII or Region III made cash advances to Region VII. We also did not find documentation demonstrating that the Board delegated the authority to Region VII management to obtain loans from Region III. In addition, it appears that there were no signed documents for the loan between Region VII 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 VII that requires formal authorization by the Board pursuant to the Regional Housing Law, Chapter 11, Article 3A.

Effect
Region VII did not comply with the provisions of the Regional Housing Law. Region III either advanced funds to Region VII or paid expenditures on their behalf. Region VII currently has a substantial outstanding debt to Region III. Region VII may not be able to continue its operations.

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

Recommendation
We recommend that the Board of Region VII formally authorize and approve the acquisition of debt.

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

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

SCHEDULE OF FINDING AND RESPONSES
DECEMBER 31, 2006 AND 2007

06-03. Lack of Inventory

Condition
During our audit test work of capital assets, we found that Region VII was not conducting an annual physical inventory of movable chattels and equipment.

Criteria
Section 12-6-10 NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of fiscal year. The agency shall certify the corrections of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

Cause
The previous administrative assistant was not aware of the requirements of Section 12-6-10 NMSA 1978.

Effect
Region VII is in violation of Section 12-6-10 NMSA 1978. Since Region VII ceased operations, an accurate physical inventory list was unable to be obtained and verified. Without the inventory list and adequate controls, assets could have been misappropriated or stolen.

Recommendation
We recommend that Region VII conduct a physical inventory list each fiscal year end in accordance with Section 12-6-10 NMSA 1978.

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

06-04. Missing All Supporting Documentation for Cash Receipts

Condition
During review of cash receipts test work, we determined all of the 18 receipts tested were missing supporting documentation including deposit slips and/or remittance advices for the deposits. One deposit made on August 7, 2006 was not recorded in the general ledger.

Criteria
Good accounting practices require proper documentation retention for monies received by the agency. Also, good accounting practices require all transactions to be entered in the general ledger.

Cause
The documents were either never maintained or they were lost or misplaced when they were transferred to the Region III Housing Authority when Region VII ceased operations in September 2006.

Effect
The ability for the entity, or subsequent management of its remaining assets, to effectively manage its cash is diminished due to the fact they are not able to utilize the appropriate receipt information due to incomplete records. Unrecorded transactions could result in stolen or misused cash receipts.

Recommendation
Proper documentation of received monies should be maintained for all governmental entities.

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

06-05. Late Audit Report

Condition
Region VII did not file its December 31, 2006 and 2007 audit reports with the Office of the State Auditor prior to the required filing deadlines. The report was submitted on December 9, 2008.

Criteria
Section 2.2.2.9.A(G) NMAC requires the filing of audit reports within 5 months after the fiscal year end.

Cause
Region VII did not contract with an auditor for audit services for the fiscal years ended December 31, 2006 and 2007.

Effect
Financial information is not available for decision-making purposes.

Recommendation
Region VII should complete preparations for the audit and have the audit fieldwork conducted at an earlier date than in the current year to ensure the auditors have sufficient time to complete the audit report by the specified date.

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

06-06. Lack of Supporting Documentation for Expenditures

Condition
Out of the thirty-five purchase documents tested for fiscal year 2006, we only had seventeen purchase documents (i.e. invoices, vouchers) or any other supporting documents to document Board approval for the purchases.

Criteria
Good accounting practices and the Procurement Code, Chapter 13, Article 1 NMSA 1978 requires all commitments to purchase goods or services must be documented by a properly completed purchase document.

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
Region VII ceased operations in September 2006. The documents were either never maintained or they were lost or misplaced when they were transferred to the Region III Housing Authority when Region VII ceased operations.

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.

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

06-07. No Cash Reconciliations and Missing Bank Statements

Condition
During our audit test work of the cash audit program, we found Region VII was not properly maintaining bank reconciliations for each of its depository accounts. For numerous months, Region VII was missing original bank statements to support the bank balances and book balances for each account. There was no verifiable way to see if reconciliations were performed.

Criteria
Good accounting practices and internal controls require Region VII to properly maintain accurate books and records of cash balances on a day-to-day basis.

Model Accounting Practices (MAPs) which requires timely reconciliation of all cash bank accounts. 2.20.5.8.C(4) NMAC states cash account records are to be reconciled timely each month. Section 6-5-2(B) NMSA 1987 requires state agencies comply with the model accounting practices established by Department of Finance and Administration and the administrative head of each state agency shall ensure that the model accounting practices are being followed.

Cause
The accounting staff failed to properly maintain the books and records for the cash reconciliation process. Also, Region VII 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
This 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.

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

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

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

SCHEDULE OF FINDING AND RESPONSES
DECEMBER 31, 2006 AND 2007

06-08. Deficit Net Assets

Condition
During our audit of Region VII, the agency had a net asset deficit of $553,290 and $553,052 for the years ended December 31, 2006 and 2007, respectively.

Criteria
Section 2.2.2.10(G) NMAC requires state agencies to have compliance with good accounting practices which includes maintaining positive net asset. Region VII should follow the operating budget to avoid any deficit net assets.

Effect
Region VII may be unable to function as an operating entity.

Cause
Region VII did not generate any operative revenue.

Recommendation
We recommend Region VII properly manage revenues and expenses to reduce the chance of a deficit in net assets.

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

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

EXIT CONFERENCE
DECEMBER 31, 2006 AND 2007

Financial Statement Preparation

The accompanying financial statements were prepared by the OSA. However, the contents remain the responsibility of Region VII.

Exit Conference

There was no management to represent Region VII. However, on December 9, 2008 an exit conference for Region VII was held at the Mid-Region Council of Governments Office with Mr. Dewey Cave, Director of Planning & General Services of the Mid-Region Council of Governments. Representing the OSA was Chan Kim, CPA, Audit Manager. The results of the audit and the contents of this report were discussed.