

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2014**

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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
OFFICIAL ROSTER
June 30, 2014**

Name	Title
Brent Earnest	Cabinet Secretary-Designate
Sean Pearson	Acting Deputy Secretary
Christopher Collins	General Counsel
Danny Sandoval	Director, Administrative Services Division
Donna Sandoval	Deputy Director, Administrative Services Division
Carolee Graham	Deputy Director, Administrative Services Division
Marilyn Martinez	Acting Director, Income Support Division
Vida Tapia-Sanchez	Deputy Director, Income Support Division
Laura Galindo	Deputy Director, Income Support Division
Steven Smith	Director, Child Support Enforcement Division
Betina McCracken	Deputy Director, Child Support Enforcement Division
Julie Weinberg	Director, Medical Assistance Division
Russell Toal	Deputy Director, Medical Assistance Division
Matt Onstott	Deputy Director, Medical Assistance Division
Nancy Smith-Leslie	Deputy Director, Medical Assistance Division
Wayne Lindstrom	Director, Behavioral Health Services Division
Carol Thomas-Gravel	Deputy CIO, Information Technology Division
Shilo Stewart	Deputy CIO, Information Technology Division
Francis Sherman	Inspector General
Johnna Padilla	Human Resources Director



CliftonLarsonAllen

Independent Auditors' Report

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Ms. Sidonie Squier, Cabinet Secretary
New Mexico Human Services Department and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the New Mexico Human Services Department (the Department), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Department's fiduciary fund and the budgetary comparison schedules presented as required supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary fund and the budgetary comparison schedules of the Department as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2014, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's financial statements, the fiduciary fund, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2014 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico
December 14, 2014

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Introduction

Management's Discussion and Analysis (MD&A) is required supplementary information that is included to explain the Department's financial statements. It also presents management's diagnostic summary of the Department's finances for the fiscal year ended June 30, 2014. It should be read together with the financial statements, which follow it.

Overview of the Financial Statements

The Department's basic financial statements are presented in four parts, in the following order:

1. Department-wide financial statements,
2. Fund financial statements,
3. Notes to the financial statements, and
4. Budgetary comparison statements.

Department-wide Financial Statements. The department-wide financial statements include the first two financial statements, the *Statement of Net Position* and the *Statement of Activities*. These statements report information on all of the financial activities and resources of the Department as a whole, except for information applicable to fiduciary activities. Fiduciary activities represent funds held in trust for others under the Child Support Enforcement program. These funds are not included in the resources available to support the Department's governmental activities. Governmental activities are financed by general revenue appropriations and private foundation and federal grants.

The *Department-wide Statement of Net Position* reports the assets of the Department and the corresponding claims and liabilities against those assets at June 30, 2014. The difference between the value of the assets and the liabilities is reflected as the value of the net position. Increases or decreases in net position measure whether the financial position of the Department improved or deteriorated. Net assets legally limited to a particular use are reported as restricted. Unrestricted net assets are assets that can be used to fund operating expenses in future years.

The *Department-wide Statement of Activities* reports the expenses of providing healthcare services and financial assistance to eligible New Mexico residents, and the cost of general government operations of the Department, with a comparison of the program revenues obtained to finance them, and the general revenues made available to fund the difference. The statement also reports the change in net position during the 2014 fiscal year.

The Department's activities are grouped into the functional programs. The healthcare services program within the Medical Assistance Division is primarily funded under the Centers for Medicare and Medicaid Services (CMS) program administered by the U.S. Department of Health and Human Services (DHHS). The behavioral health services programs are funded by the DHHS Substance Abuse and Mental Health Services Administration (SAMHSA), Center for Substance Abuse Treatment (CSAT) and the State of New Mexico. Financial assistance programs are funded by the U.S. Department of Agriculture, the DHHS Administration for Children and Families, and the State of New Mexico. General government costs include the costs of administering the healthcare and financial assistance programs, and the costs of administering the Child Support Enforcement and Behavioral Health Services programs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

General revenues are made available to the Department through appropriations from the State General Fund and other special funds, as well as through amounts transferred from other state and local agencies that participate in the healthcare and financial assistance programs.

Fund Financial Statements. The fund financial statements that follow the department-wide financial statements report on the financial position and changes in financial position of the individual funds used by the Department. Funds are separate accounting entities used in government accounting to segregate transactions according to the sources of funding and to demonstrate legal compliance with the restrictions that may be imposed on those financial resources. The Department uses two types of funds to account for its financial activities: Governmental Funds and Fiduciary Funds.

Governmental Funds are used to account for the finances of the governmental activities reported in the department-wide financial statements. The Department uses two types of governmental funds: a *general fund* to account for activities not required to be accounted for in other funds, and *special revenue funds* to account for collection and expenditure of earmarked and restricted fund resources. Please refer to Note 2 to the Financial Statements for an explanation of these funds.

Fiduciary Funds are used to account for resources the Department holds for others. The Department uses one fiduciary fund (Fund 978), which is an *agency fund* used to hold child support payments collected from non-custodial parents until the payments are remitted to the custodial parents or third parties. The finances of this fund are reported in a separate statement of fiduciary assets and liabilities. The resources of this fund are excluded from the department-wide financial statements because they cannot be used to finance the Department's operations.

Reconciliation of Department-wide Financial Statements to Fund Financial Statements. Differences in amounts reported in the department-wide financial statements versus in the fund financial statements result from the different measurement focus and basis of accounting used. The measurement focus used for governmental funds is based on budgetary control and the flow of resources in the current year. A reconciliation of differences between department-wide and fund financial statements is provided in separate schedules that detail the differences in accounting treatment.

The budgetary comparison statements furnish a budget-to-actual comparison for all governmental funds to report compliance with the approved budget. The budget amounts reported are those in the *Original Budget* and in the final *Amended Budget*, which reflects all legal adjustments made to the budget since the start of the fiscal year. The *Budgetary Actual* amounts are stated on the same basis as the budget figures.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide detailed information to support and explain key financial information presented in the department-wide and fund financial statements. The notes provide information on the activities of the Department, on the bases of accounting used, and on accounting policies reflected in the financial statements, in addition to clarifying key financial information. They are integral to understanding the financial statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Supplemental Information. Supplemental Information is provided to demonstrate reconciliation of cash balances to the State Treasurer, to detail the open Joint Powers Agreements, to report the change in assets and liabilities of the agency fund, to review budgetary comparisons, and to report the details of federal grant awards and expenditures. The information is provided in compliance with federal and state reporting requirements.

Analysis of the Department's Finances as a Whole

The Department is pleased to provide comparative financial information for fiscal years 2012 through 2014. Management has not attempted to recast this information, except as adjusted in preparation of the fiscal year 2014 financial statements and information.

At the end of Fiscal Year 2014, the Department fund balance in the Medicaid Fund (976) is zero. In 2010, the Department recorded a \$103 million estimated liability to recognize a shortfall in the Medicaid Program due to under-reporting and uncollectible receivables in prior years. In 2013, the Department found that the estimated liability did not include all of the under-reporting; the total shortfall is \$160 million. By reviewing prior year balances of the federal accounts receivable, the Department found a \$60 million balance from years prior to 2010 related to under-reporting of federal claims that was past the timely filing period. In 2013, Fund Balance of the Medicaid Fund was re-stated to reflect the \$60 million uncollectible federal receivable. In 2014, the Department recorded a Due from the State General Fund of \$73 million to eliminate the deficit fund balance at June 30, 2014.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Net Position and Changes in Net Position. Table 1 summarizes the net position in Governmental Activities of the Department for the fiscal year ended June 30, 2014, with comparative balances for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 1 – Net Position

	<u>Governmental Activities FY2014</u>	<u>Governmental Activities FY2013</u>	<u>Governmental Activities FY2012</u>	<u>Increase (Decrease) 2014 to 2013</u>	<u>% Change</u>
Assets:					
Current assets	\$ 534,594,169	\$ 294,299,922	\$ 313,189,621	\$ 240,294,247	82%
Non-current assets	105,576,063	56,133,037	22,097,848	49,443,026	88%
Total assets	<u>\$ 640,170,232</u>	<u>\$ 350,432,959</u>	<u>\$ 335,287,469</u>	<u>\$ 289,737,273</u>	83%
Liabilities:					
Current liabilities	\$ 527,573,439	\$ 364,120,875	\$ 343,602,069	\$ 163,452,564	45%
Total liabilities	<u>527,573,439</u>	<u>364,120,875</u>	<u>343,602,069</u>	<u>163,452,564</u>	
Net position:					
Net investment in capital assets	105,576,063	56,133,037	22,097,848	49,443,026	88%
Restricted	259,732	164,310	9,827,930	95,422	58%
Unrestricted	6,760,998	(69,985,263)	(40,240,378)	76,746,261	-110%
Total net position (deficit)	<u>112,596,793</u>	<u>(13,687,916)</u>	<u>(8,314,600)</u>	<u>126,284,709</u>	-923%
Total liabilities and net position	<u>\$ 640,170,232</u>	<u>\$ 350,432,959</u>	<u>\$ 335,287,469</u>	<u>\$ 289,737,273</u>	83%

The Department's net investment in capital assets totaled \$105,576,063 at June 30, 2014. The large increase from 2013 is the full implementation of the new eligibility system ASPEN.

In 2013, the Department had a deficit net position and the deficit changed significantly in 2014 and resulted in net position of \$112,596,793. The positive net position is primarily due to the capital assets related to ASPEN.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Table 2 – Changes in Net Position

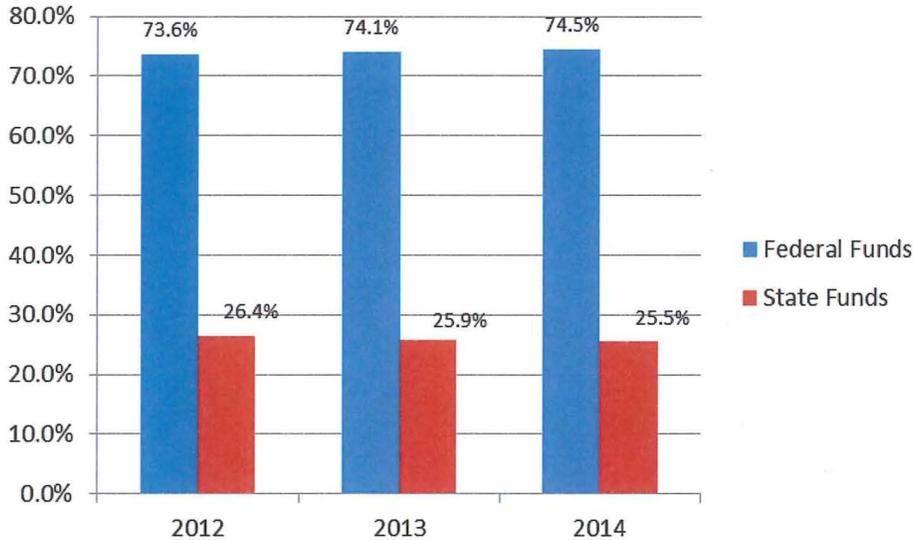
Table 2 presents the detail changes in net position from 2012 to 2014. Net position increased by \$126,284,709 in 2014, resulting in net position at June 30 of \$112,596,793.

	<u>Governmental Activities FY2014</u>	<u>Governmental Activities FY2013</u>	<u>Governmental Activities FY2012</u>	<u>Increase (Decrease) 2014 to 2013</u>	<u>% Change</u>
Revenues:					
Program revenues:					
Charges for services	\$ 128,147,627	\$ 107,059,986	\$ 99,762,802	\$ 21,087,641	20%
Federal funds	3,999,537,951	3,562,438,620	3,553,777,191	437,099,331	12%
Total program revenues	<u>4,127,685,578</u>	<u>3,669,498,606</u>	<u>3,653,539,993</u>	<u>458,186,972</u>	12%
General revenues and special items:					
State appropriation, net	1,031,081,894	984,880,681	1,010,326,850	46,201,213	5%
STB Proceeds	6,140,591	1,211,594	-	4,928,997	N/A
Transfer from other					
State Agencies	<u>210,845,673</u>	<u>151,985,294</u>	<u>163,774,839</u>	<u>58,860,379</u>	39%
Total revenues	<u>5,375,753,736</u>	<u>4,807,576,175</u>	<u>4,827,641,682</u>	<u>568,177,561</u>	12%
Expenses:					
Healthcare services	4,178,727,421	3,663,426,727	3,659,733,799	515,300,694	14%
Financial assistance	766,780,091	812,806,004	814,462,463	(46,025,913)	-6%
General government	<u>303,961,515</u>	<u>276,504,556</u>	<u>257,908,389</u>	<u>27,456,959</u>	10%
Total expenses	<u>5,249,469,027</u>	<u>4,752,737,287</u>	<u>4,732,104,651</u>	<u>496,731,740</u>	10%
Increase (decrease)					
in net position	126,284,709	54,838,888	95,537,031	71,445,821	130%
Net position, beginning of year	<u>(13,687,916)</u>	<u>(68,526,804)</u>	<u>(103,851,631)</u>	<u>54,838,888</u>	-80%
Net position, end of year	<u>\$ 112,596,793</u>	<u>\$ (13,687,916)</u>	<u>\$ (8,314,600)</u>	<u>\$ 126,284,709</u>	-923%

Table 2 reflects 20% growth in program revenues; the increase is the result of two factors: 1) the billing of the Managed Care Organization (MCO) portion of drug rebate and the related collections for the Medicaid Program, and 2) the increased federal funds related to the new eligibility system ASPEN. The Transfer from other State Agencies increased significantly due to the \$73 million due from the State General Fund to cover the deficit fund balance in the Medicaid Fund 976. Healthcare services expenditures increased by 14% due to the expansion of Medicaid to the new adult group. General government expenditures also increased by 10% as a result of full implementation of the new eligibility system ASPEN.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
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Figure 1 – Changes in Federal and State Revenues



The comparison of the Department's federal and state revenues over the past three years is shown in Figure 1. The Department's level of federal funds in 2014 increased due to the 100% federal funding for the expansion of Medicaid and the new adult group and the enhanced federal match for the new eligibility system ASPEN. The remaining 25.5% state funds were comprised of State general revenue appropriations, reimbursements from other state agencies, miscellaneous revenues and transfers.

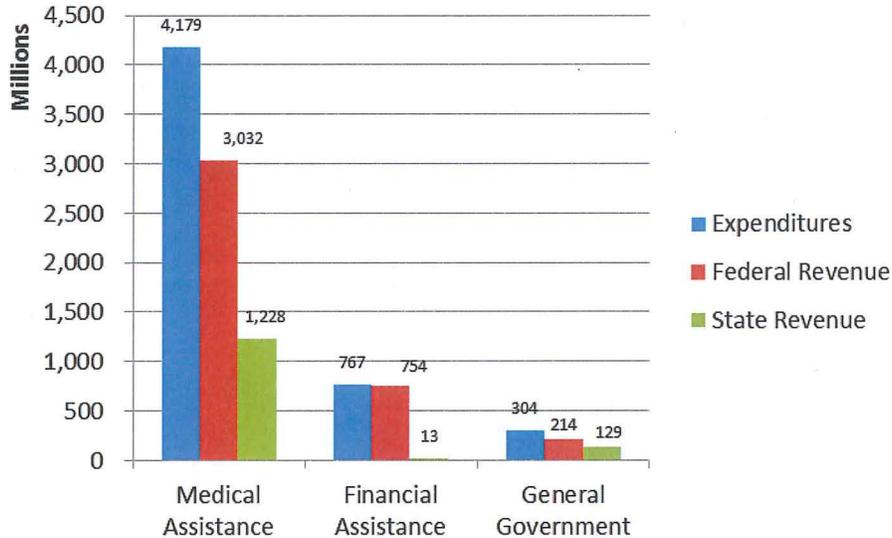
The 100% federal funding by the Centers for Medicare and Medicaid Services resulted in additional testing and sampling of the new adult group in 2014. The implementation of ASPEN also transitioned into maintenance and operations of the new eligibility system, and required approval by federal awarding agencies of allocation methods and estimated budgetary amounts. The detail amounts of grant funded expenditures can be seen in the Schedule of Expenditures of Federal Awards (SEFA) on page 71.

The *Statement of Activities* reports program, matching state revenue and direct expenses for the Department's governmental activities. Direct expenses are those directly associated with a program. Program revenues include reimbursements by other agencies for payment of services provided to clients on their behalf, as well as grants that are designated to meet operational requirements of the programs.

Governmental Activities Costs not covered by program revenues are covered by the sources of general revenues that primarily include state appropriations and transfers from other state agencies. Figure 2 shows the relationship of governmental direct expenses to program revenues for fiscal year 2014.

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Figure 2 – Total Expenditures and Revenues



The total costs of all the Department's governmental activities this year was \$5,249,469,027. Of these total costs, 80% were for medical assistance services provided to eligible residents of the state, primarily under the Medicaid program, of which 73% was financed by federal grants, and general revenues and charges for services funded 27%. Most of the state appropriations are committed to match the federal government's share of the costs of the medical assistance program.

A total of \$766,780,091 or 15% of total costs pertains to financial assistance provided to eligible residents; 98% of these costs were funded by federal grants. The remaining 2% was financed with state funds, including charges for services.

The overall increase in expenditures from 2013 is caused by increases in healthcare services (Medicaid) and general government (the new eligibility system ASPEN).

General Fund Budgetary Highlights

Original Budget Compared to Amended Budget. Differences between the original budget and the final amended budget were a result of various budget adjustments and appropriations. The agency budgeted federal funds, miscellaneous revenues, the reauthorization of computer systems enhancement funds, and the associated certified federal financial participation.

Original Budget Compared to Amended Budget

- In Fund 052 (General Operating Fund), there were increases totaling \$22,261,304.
 - In P522 there were 6 budget increases processed totaling \$624,931. One of the adjustments was to create budget authority for the Robert Wood Johnson Grant in Information Technology Division totaling \$65,000. A second adjustment was processed to increase funding from State Wide Cost Allocation and the associated Federal funds of \$452,517 which was used to support the move of

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

Administrative Services Division and Information Technology to another location as their lease was not extended. Four more adjustments totaling \$107,414 were processed to increase the budget in Personnel Services in P522 to fund the anticipated cost of the back pay to employees as a result of the FY09 Pay Package Arbitration Union Lawsuit.

- In P523 there were two budget adjustments totaling \$805,705 to fund the anticipated cost of the back pay to employees as a result of the FY09 Pay Package Arbitration Union Lawsuit.
 - In P524, there were 8 increases totaling \$9,409,918. 5 of the increases totaling \$4,505,328 were from Federal Funds that were not anticipated when the FY14 budget was established. One adjustment totaling \$4,731,975 was a transfer from Fund 976 to fund increases in contractual services for to changes required to the Medicaid Management Information System for Centennial Care and Medicaid Expansion. Two more adjustments totaling \$172,615 were processed to increase the budget in Personnel Services in P524 to fund the anticipated cost of the back pay to employees as a result of the FY09 Pay Package Arbitration Union Lawsuit.
 - In P525, 6 increases were processed totaling \$7,464,730. 3 of the increases totaling \$4,151,985 were from Federal Funds that were not anticipated when the FY14 budget was established. An increase of \$308,816 in federal funds for State Administrative Expenses for the distribution of commodities to schools and food banks. Two more adjustments totaling \$3,003,929 were processed to increase the budget in Personnel Services in P525 to fund the anticipated cost of the back pay to employees as a result of the FY09 Pay Package Arbitration Union Lawsuit.
 - In P767, there were 6 increases processed, totaling \$3,956,020. 4 of the increases totaling \$3,894,583 were from Federal Funds that were not anticipated when the FY14 budget was established. Two more adjustments totaling \$61,437 were processed to increase the budget in Personnel Services in P767 to fund the anticipated cost of the back pay to employees as a result of the FY09 Pay Package Arbitration Union Lawsuit.
- In Fund 975, there was one decrease in 100% Federal Funds totaling \$1,396,670 which was transferred to fund 052 to align the budget with projected expenditure levels.
 - In Fund 976 (Medical Assistance), there were two transfers to fund 052 totaling \$4,151,100 to fund the anticipated cost of the back pay to employees as a result of the FY09 Pay Package Arbitration Union Lawsuit.

Below are Special Appropriations that were processed in FY2014

- In Fund 901 (Data Processing Appropriations), multi-year budgets were established to the roll forward balances from prior years as approved by our Federal Partners in the Advanced Planning document \$78,724,394.

Amended Budget Compared to Actual Expenditures and Revenues

- In Fund 052, the ending fund balance of \$7,750,301 which has four components. Of that amount \$56,231 is inventory and prepaid items, \$259,732 reflects the DASIS funding that is reserved for subsequent fiscal year expenditures, \$6,544,866 is Child

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Support Incentive Funds earned by the Department which will be used to support the Child Support IT system replacement and \$889,472 is a SNAP Bonus earned by Income Support Division for timely processing which has yet to be programmed. This amount also reflects the elimination of the negative \$4.8 million due to uncollectable receivables outlined in the Meyers and Stauffer report produced for the Department in SFY12.

- In Fund 20520, revenue exceeded expenditures by \$1,012,662 which reflects the non-reverting balances in this fund. The Traumatic Brain Injury fund is a non-reverting interest bearing fund.
- In Fund 901, the ending fund balance is \$1,518,224 which reflects the balances in the ASPEN appropriations which had not yet expired at the end of SFY2014
- In Fund 974, total revenues and total expenditures equaled each other, reflecting the nature of the flow through of the LIHEAP program which has no match requirement.
- In Fund 975, total revenues exceeded total expenditures by \$250,230 which is the SSIAR balances authorized to be retained and rolled forward to SFY14 for the General Assistance Program.
- In Fund 976, the ending fund balance is zero which is primarily attributable to a transfer from the State General Fund to cover the deficit fund balance at June 30, 2014.

Capital Assets and Debt Management

Capital Assets. The Department's investment in capital assets as of June 30, 2014 amounted to \$105,576,063, net of accumulated depreciation. This investment in capital assets includes automobiles, equipment and machinery, data processing, and furniture and fixtures. The total increase in the Department's investment in capital assets for the current period was 88%. The increase in capital assets was due to the data processing equipment purchases related to the new eligibility system ASPEN.

Accumulated depreciation expense for the year was \$10,412,096. All depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Capital assets for the Department are presented in Note 5 to illustrate changes from the prior year.

Debt. At June 30, 2014, the Department had no long-term debt resulting from borrowing.

Things Affecting the Department's Future

Medicaid Expansion

The expansion of Medicaid under the Patient Protection and Affordable Care Act (ACA) makes lower income adults eligible for Medicaid health care coverage and provides new federal funding to states.

- A single adult with annual income of about \$15,856 is eligible (138% of the Federal Poverty Level, (FPL)). Adults in a family of three with annual incomes of about \$26,951 are eligible.
- The ACA includes new federal funding for this population – 100% in calendar years 2014-2016, reducing to 90% by 2020.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

As of November 2014, 170,000 individuals were in the Medicaid new adult group or the expansion group, for a total of 740,000 New Mexico citizens receiving insurance coverage through the Medicaid Program. The September 2014 Medicaid projection for total costs of newly eligible adults is \$1.2 billion for physical health and \$87 million for behavioral health. The first three years of expansion, FY14, FY15 and FY16, are 100% federally funded.

Most adults who are eligible for New Mexico's Medicaid Expansion will receive their services through Centennial Care. Under the ACA, some people who are not eligible for the new Medicaid adult program may be able to receive federal subsidies that will help them buy insurance coverage on the New Mexico Health Insurance Exchange. Anyone who is determined "Not Financially Eligible" for Medicaid will have their information transferred to the Exchange.

Centennial Care

Centennial Care is the new name of the Medicaid Program. Centennial Care was implemented on January 1, 2014 with services provided by four managed care organizations (MCOs). These services include physical health, behavioral health, long-term care and community benefits.

Centennial Care is the Department's vision is to build a service delivery system that delivers the right amount of care at the right time in the right setting with the following goals:

- It modernizes the Medicaid program without cutting back on eligibility or necessary services, or hurting our providers;
- It aligns incentives in the system so that all parties – the state, the plans, the providers and the recipients – are working towards the same goal of better health at less cost;
- It puts New Mexico among the leading states in the design and implementation of a modern efficient Medicaid program; and
- It introduces "state of the art" techniques arrayed in a single, comprehensive system of care.

ASPEN (Automated System Program and Eligibility Network)

ASPEN is the new system used to determine eligibility and issue benefits for Supplemental Nutritional Assistance Program (SNAP), Cash Assistance (Temporary Assistance for Needy Families – TANF, and General Assistance), Medicaid and Low Income Home Energy Assistance Program (LIHEAP). The final implementation phase occurred in Bernalillo County in January 2014. As of September 2014, the total cost of the ASPEN project was \$107 million, with \$87 million in federal funds and \$19 million in state funds.

The Department received approval from the Centers for Medicare and Medicaid Services (CMS) for \$3.9 million in design, development and implementation and \$2.6 million for maintenance and operations for federal fiscal year 2015.

The ASPEN-State Based Marketplace (SBM) interface is under development, and the Department and New Mexico Health Insurance Exchange (NMHIX) plan completion by early 2015. NMHIX continues its own development schedule to include additional changes requested by CMS.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Replacement of Medicaid and Child Support Information Systems

The Department will replace the Medicaid Management Information System (MMIS) and the Child Support Enforcement System (CSES) over the next several fiscal years. Two contractors, FirstData and Netlogx, will be part of the Project Management Office (PMO) that will manage both the Futures Medicaid Project and the Child Support Enforcement Services Replacement (CSESR).

The Department received approval from the CMS for \$2,431,668 in federal funding for federal fiscal year 2015. The approval of the federal funding is enhanced federal financial participation in accordance with the seven standards and conditions as required by Sections 1903 (a)(3)(A)(i) and 1903(a)(3)(B) of the Social Security Act. The estimated total cost of the replacement of the MMIS is \$176 million; which includes \$144 million federal funding and \$32 million in state general fund. Overall, the planning effort and replacement work will require six years for completion. The Department has exercised the option to use a "Shared PMO" with the Child Support Enforcement Division to reduce costs and leverage current technology investments made in the ASPEN Eligibility System.

As of December 2014 the Department has received an SFY15 appropriation for \$1,551,000 (\$1,023,700 in federal funds and \$527,300 in state general funds) for the CSES replacement project (CSESR). In SFY16 an appropriation of \$3,400,000 in state funds has been requested. The Department received approval of a total of \$26,636,478 in federal funding for the CSES replacement project. The project is intended to enhance the efficiency and effectiveness of the current process of child support enforcement by reducing costs and improving customer service and system usability. The current CSES maintains case records and account information on more than 60,000 active cases, and account records on approximately 49,000 child support orders. The entire project will be completed in SFY18 and is estimated to cost a total of \$60 million of which \$40 million is federal funding and \$20 million is state general fund. The project is scheduled to be completed in state fiscal year 2018.

Contacting the Department's Financial Management

The Department's financial statements are designated to present users with a general overview of the Department's finances and to demonstrate the Department's accountability. If you have any questions about the report or need additional information, contact the Department CFOs, Danny Sandoval or Donna Sandoval, at the Administrative Services Division, New Mexico Human Services Department, P.O. Box 2348, Santa Fe, New Mexico 87504-2348.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 25,750
Investment in State General Fund Investment Pool	<u>18,605,354</u>
	<u>18,631,104</u>
Receivables:	
Federal grants, net of allowance of \$2,122,882	389,038,144
Accounts receivable, net of allowance of \$116,707,579	32,147,096
Due from State General Fund	73,745,820
Due from other state agencies	<u>20,631,323</u>
Net receivables	515,562,383
Supplies and commodities inventory and other	<u>400,682</u>
Total current assets	<u>534,594,169</u>
NON-CURRENT ASSETS	
Capital assets, net	<u>105,576,063</u>
TOTAL ASSETS	<u>\$ 640,170,232</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 40,906,653
Accrued payroll	2,626,371
Healthcare services payable	455,253,634
Due to State General Fund Investment Pool	1,069,829
Reversion payable to State General Fund	5,984,183
Compensated absences	3,510,687
Other liabilities	1,746,062
Due to other state agencies	14,272,049
Unearned revenue	550,546
Due to other entities	<u>1,653,425</u>
Total liabilities	<u>527,573,439</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	105,576,063
Restricted for special programs	259,732
Unrestricted	<u>6,760,998</u>
Total net position	<u>112,596,793</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 640,170,232</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Healthcare services	\$ 4,178,727,421	\$ 110,875,925	\$ 3,032,234,526	\$ (1,035,616,970)
Financial assistance	766,780,091	1,147,486	753,753,905	(11,878,700)
General government	<u>303,961,515</u>	<u>16,124,216</u>	<u>213,549,520</u>	<u>(74,287,779)</u>
Total governmental activities	<u>\$ 5,249,469,027</u>	<u>\$ 128,147,627</u>	<u>\$ 3,999,537,951</u>	<u>(1,121,783,449)</u>
General revenues and transfers:				
				1,037,018,998
				6,140,591
				(5,937,104)
				<u>210,845,673</u>
			Total general revenues and transfers	<u>1,248,068,158</u>
			Change in net position	126,284,709
			Net position (deficit), beginning of year	<u>(13,687,916)</u>
			Net position, end of year	<u>\$ 112,596,793</u>

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

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	<u>05200</u>	<u>20520</u>	<u>89200</u>
	<u>General</u>	<u>Traumatic</u>	<u>Severance</u>
	<u>Fund</u>	<u>Brain Injury</u>	<u>Tax Bond</u>
			<u>Proceeds</u>
ASSETS			
Cash	\$ 750	\$ -	\$ -
Investment in State General Fund			
Investment Pool	9,471,640	1,279,073	-
Federal grants receivable, net	35,157,323	-	-
Accounts receivable, net	251,425	96	-
Due from State General Fund	-	-	-
Due from other state agencies	372,805	-	948,281
Supplies and commodities inventory and other	56,231	-	-
TOTAL ASSETS	<u>\$ 45,310,174</u>	<u>\$ 1,279,169</u>	<u>\$ 948,281</u>
LIABILITIES			
Accounts payable	\$ 22,940,613	\$ 266,507	\$ -
Accrued payroll	2,554,470	-	-
Healthcare services payable	-	-	-
Due to State General Fund			
Investment Pool	-	-	948,281
Reversion payable to State General Fund	884,703	-	-
Other liabilities	614,832	-	-
Due to other state agencies	10,355,522	-	-
Unearned revenue	206,095	-	-
Due to other entities	3,638	-	-
Total liabilities	<u>37,559,873</u>	<u>266,507</u>	<u>948,281</u>
FUND BALANCES (DEFICIT)			
Nonspendable - inventory and prepaid items	56,231	-	-
Restricted	259,732	-	-
Committed	-	1,012,662	-
Assigned	7,434,338	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>7,750,301</u>	<u>1,012,662</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 45,310,174</u>	<u>\$ 1,279,169</u>	<u>\$ 948,281</u>

Major Funds					
90100	97400	97500	97600		Total
Data	Income	Income	Medical		Governmental
Processing	Support	Support	Assistance		Funds
Appropriations	L Warrants	N Warrants			
\$ -	\$ -	\$ -	\$ 25,000		\$ 25,750
249,869	-	1,244,363	6,360,409		18,605,354
10,367,039	273,440	5,034,904	338,205,438		389,038,144
3,759,876	-	-	28,135,699		32,147,096
-	-	-	73,745,820		73,745,820
-	-	-	19,310,237		20,631,323
-	-	344,451	-		400,682
<u>\$ 14,376,784</u>	<u>\$ 273,440</u>	<u>\$ 6,623,718</u>	<u>\$ 465,782,603</u>		<u>\$ 534,594,169</u>
\$ 12,239,336	\$ -	\$ 1,707,009	\$ 3,753,188		\$ 40,906,653
51,340	-	20,561	-		2,626,371
-	-	-	455,253,634		455,253,634
-	120,908	-	640		1,069,829
-	-	201,480	4,898,000		5,984,183
4,155	12,465	886,067	228,543		1,746,062
563,729	140,067	3,207,151	5,580		14,272,049
-	-	344,451	-		550,546
-	-	6,769	1,643,018		1,653,425
<u>12,858,560</u>	<u>273,440</u>	<u>6,373,488</u>	<u>465,782,603</u>		<u>524,062,752</u>
-	-	-	-		56,231
-	-	-	-		259,732
1,518,224	-	250,230	-		2,781,116
-	-	-	-		7,434,338
-	-	-	-		-
<u>1,518,224</u>	<u>-</u>	<u>250,230</u>	<u>-</u>		<u>10,531,417</u>
<u>\$ 14,376,784</u>	<u>\$ 273,440</u>	<u>\$ 6,623,718</u>	<u>\$ 465,782,603</u>		<u>\$ 534,594,169</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 10,531,417
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

The cost of capital assets is	115,988,159
Accumulated depreciation is	<u>(10,412,096)</u>

Total capital assets	105,576,063
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Long-term and certain other liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term and other liabilities at year end consist of:

Compensated absences payable	<u>(3,510,687)</u>
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Net position of governmental activities (Statement of Net Position)	<u>\$ 112,596,793</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	05200	20520	89200
	General Fund	Traumatic Brain Injury	Severance Tax Bond Proceeds
REVENUES			
Federal grants	\$ 172,611,474	\$ -	\$ -
Other revenues	11,442,077	921,223	-
Total revenues	<u>184,053,551</u>	<u>921,223</u>	<u>-</u>
EXPENDITURES			
Current:			
Healthcare services:			
Contractual services	-	-	-
Healthcare services:	-	-	-
Total healthcare services	<u>-</u>	<u>-</u>	<u>-</u>
Financial assistance:			
Personal services	-	-	-
Contractual services	-	-	-
Financial assistance	-	-	-
Other operating costs	-	-	-
Total financial assistance	<u>-</u>	<u>-</u>	<u>-</u>
General government:			
Personal services	104,698,905	-	-
Contractual services	128,079,504	1,271,262	-
Other operating costs	40,103,375	-	-
Total general government	<u>272,881,784</u>	<u>1,271,262</u>	<u>-</u>
Capital outlay	<u>401,470</u>	<u>-</u>	<u>6,140,591</u>
Total expenditures	<u>273,283,254</u>	<u>1,271,262</u>	<u>6,140,591</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(89,229,703)</u>	<u>(350,039)</u>	<u>(6,140,591)</u>
OTHER FINANCING SOURCES (USES)			
State General Fund appropriations	111,729,865	-	-
Transfers in from other state agencies	1,226,076	-	-
Transfers out to other state agencies	(15,307,799)	-	-
Severance tax bond proceeds	-	-	6,140,591
Reversions-FY14	(837,622)	-	-
NET OTHER FINANCING SOURCES (USES)	<u>96,810,520</u>	<u>-</u>	<u>6,140,591</u>
NET CHANGE IN FUND BALANCES	7,580,817	(350,039)	-
FUND BALANCES (DEFICIT), BEGINNING	<u>169,484</u>	<u>1,362,701</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 7,750,301</u>	<u>\$ 1,012,662</u>	<u>\$ -</u>

Major Funds				
90100	97400	97500	97600	Total
Data	Income	Income	Medical	Governmental
Processing	Support	Support	Assistance	Funds
Appropriations	L Warrants	N Warrants		
\$ 40,938,046	\$ 8,707,707	\$ 745,046,198	\$ 3,032,234,526	\$ 3,999,537,951
3,760,916	-	1,147,486	110,875,925	128,147,627
<u>44,698,962</u>	<u>8,707,707</u>	<u>746,193,684</u>	<u>3,143,110,451</u>	<u>4,127,685,578</u>
-	-	-	28,999,658	28,999,658
-	-	-	4,149,727,763	4,149,727,763
-	-	-	<u>4,178,727,421</u>	<u>4,178,727,421</u>
-	-	706,661	-	706,661
-	-	17,233,646	-	17,233,646
-	8,707,707	711,920,551	-	720,628,258
-	-	-	-	-
-	<u>8,707,707</u>	<u>729,860,858</u>	-	<u>738,568,565</u>
-	-	-	-	104,698,905
547,942	-	-	-	129,898,708
-	-	-	1,281,520	41,384,895
<u>547,942</u>	-	-	<u>1,281,520</u>	<u>275,982,508</u>
47,032,619	-	-	-	53,574,680
<u>47,580,561</u>	<u>8,707,707</u>	<u>729,860,858</u>	<u>4,180,008,941</u>	<u>5,246,853,174</u>
(2,881,599)	-	16,332,826	(1,036,898,490)	(1,119,167,596)
712,566	-	11,878,700	912,697,867	1,037,018,998
-	-	-	209,619,597	210,845,673
-	-	(28,211,526)	(8,495,892)	(52,015,217)
-	-	-	-	6,140,591
-	-	<u>(201,480)</u>	<u>(4,898,002)</u>	<u>(5,937,104)</u>
<u>712,566</u>	-	<u>(16,534,306)</u>	<u>1,108,923,570</u>	<u>1,196,052,941</u>
(2,169,033)	-	(201,480)	72,025,080	76,885,345
<u>3,687,257</u>	-	<u>451,710</u>	<u>(72,025,080)</u>	<u>(66,353,928)</u>
<u>\$ 1,518,224</u>	<u>\$ -</u>	<u>\$ 250,230</u>	<u>\$ -</u>	<u>\$ 10,531,417</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 76,885,345
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid).

The increase in compensated absences for the fiscal year was:	(43,662)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	53,574,680
Depreciation expense	<u>(4,131,654)</u>
Excess of capital outlay over depreciation expense	<u>49,443,026</u>
Change in net position of governmental activities (Statement of Activities)	<u>\$ 126,284,709</u>

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

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
June 30, 2014

	<u>97800 Child Support Enforcement</u>
ASSETS	
Current assets:	
Interest in the State Treasurer General Fund Investment Pool	\$ 1,170,942
Other receivables, net of allowance of \$1,374,570	<u>603,622</u>
TOTAL ASSETS	<u>\$ 1,774,564</u>
LIABILITIES	
Current liabilities:	
Deposits held in trust for others	\$ 1,170,942
Other liabilities	<u>603,622</u>
TOTAL LIABILITIES	<u>\$ 1,774,564</u>

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

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – ORGANIZATION AND PURPOSE

The State of New Mexico Human Services Department (the Department) is the primary provider of social welfare services to the citizens of New Mexico (State). Specific programs accomplish a number of services, including income support, medical assistance, behavioral health, food stamp distribution, commodity distribution and child support enforcement.

The chief executive of the Department is the Department Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's cabinet. The Department's functions are administered by the Office of the Secretary and through the Behavioral Health Services, Child Support Enforcement, Medical Assistance, and Income Support Divisions. Overall support is provided by the Administrative Services Division; technical support is provided by the Information Technology Division. There are no component units of the Department.

The financial reporting entity, as defined by GASB Statements 14 and 39, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government".

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. Even though the Governor appoints the Department Secretary, the Secretary has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and is primarily accountable for fiscal matters. The Department is part of the primary government of the State of New Mexico, and its financial data is included with the financial data in the state of New Mexico's Comprehensive Annual Financial Report. These financial statements present financial information that is attributable to the Department and does not purport to present the financial position of the State of New Mexico.

Legislation and regulations at all levels of government have affected, and are likely to continue to affect, the operations of the Department. As a department of the State of New Mexico, the Department is exempt from paying federal income tax.

As the primary provider of social welfare programs in New Mexico, the Department is dependent on governmental funding and appropriations. For the year ended June 30, 2014, federal revenue represented 75% of the Department's total revenue and other financing sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

The financial statements for the Department have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Department-wide and Fund Financial Statements

The department-wide financial statements include two statements: the statement of net position and the statement of activities. The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the Department.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. The functions of the Department have been defined as healthcare services, financial assistance and general government. Healthcare services consists primarily of transactions in fund 97600, and financial assistance consists primarily of transactions in funds 97400 and 97500. Transactions in all other funds have been classified as general government.

Program revenues include (1) charges to applicants for provision of healthcare services, financial assistance and government services; and (2) operating grants and contributions. Program revenues included in the statement of activities reduce the cost of the function to be financed from general revenues. Items not properly identified as program revenues are reported instead as general revenues.

The Department reports all direct expenses by program in the statement of activities. Direct expenses are those clearly identifiable with a function. All indirect expenses are recorded in the general government functional expense category.

Fund Accounting

The Department uses funds to report on its financial position and the changes in financial position. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds of the Department are classified into two categories: governmental and fiduciary.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds are used to account for most of the Department's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds). The *General Fund* is used to account for all activities of the Department not required to be accounted for in other funds. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for a specified purpose other than debt service or capital projects.

The *Fiduciary Fund* is used to account for assets held on behalf of outside parties or on behalf of other funds within the Department. Agency funds generally are used to account for assets that the Department holds on behalf of others as their fiscal agent. The Department's fiduciary fund (fund 97800) does not receive any funding from the state or federal government. Costs of administering fund 97800 are recorded in the Department's General Fund.

Separate financial statements are provided for governmental funds and the fiduciary fund. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, the fiduciary funds are excluded from the department-wide financial statements as they do not represent resources available to fund the Department's programs. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Department presents the following governmental funds, all of which are major:

General Fund (05200) - The *General Fund* is used to account for the general operations of the Department in carrying out its specific functions and behavioral health services. Sources of revenue are primarily from state appropriations and federal grants (to fund program administrative costs). Unexpended state appropriations in fund 05200 revert back to the State General Fund for reappropriation. The Department determines reversions by tracking expenditures for special appropriations and contributions separately.

Special Revenue Fund (Traumatic Brain Injury) (20520) - The Traumatic Brain Injury fund is funded with an accumulation of five dollar fees attached to each moving traffic violation citation in the state of New Mexico. The fees are for programs and services dedicated to all individuals who have experienced a brain injury. For fiscal year 2013, funding is 100% from traffic fees. Unexpended state appropriations in fund 20520 revert back to the State General Fund for reappropriation when the appropriation period expires.

Severance Tax Bonds (89200) - This fund was established to account for the sale of severance tax bonds to provide funds for various waste handling projects. This fund is a reverting fund. Source of funding: Severance Tax Bonds.

Special Revenue Fund (General Appropriation Act of 2003, Laws of 2003, Chapter 76) (90100) - Data Processing Appropriations is used to track special appropriations for specific information technology projects. Unexpended state appropriations in fund 90100 revert back to the State General Fund for reappropriation when the appropriation period expires. Appropriations in this fund are multi-year appropriations.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund (Section 6-5-9 NMSA 1978) (97400) - Income Support L Warrants is used to account for "L" Warrants. "L" Warrants are issued to Low Income Home Energy Assistance Program vendors for energy assistance to qualified clients, various other vendors for work, educational assistance, and child care provided to qualified clients. Unexpended state appropriations in fund 97400 revert back to the State General Fund for reappropriation.

Special Revenue Fund (Section 6-5-9 NMSA 1978) (97500) - Income Support N Warrants is used to account for "N" Warrants. "N" Warrants are issued to the State Treasurer's Office (STO) to pay the electronic transactions for food benefits and financial assistance. These manual warrants are based on the actual draws made by clients on a daily basis. System-generated "N" Warrants are issued to General Assistance clients when the client requires benefits before they receive the EBT card. Unexpended state appropriations in fund 97500 revert back to the State General Fund for reappropriation.

Special Revenue Fund (Section 6-5-9 NMSA 1978) (97600) - Medical Assistance is used to account for the "P" Warrants. "P" Warrants are issued to all vendors who provide Medicaid services to eligible clients. Unexpended state appropriations in fund 97600 revert back to the State General Fund for reappropriation. Medicaid payments may be expended by the Department for Medicaid obligations incurred in prior fiscal years.

In addition to the governmental funds, the Department maintains the following fiduciary fund:

Agency Fund - Child Support Enforcement (97800) is a fiduciary agency fund. The Fund is used to record the receipt of child support payments from noncustodial parents. The funds received from the noncustodial parents are transmitted to custodial parents. None of the funds recorded in fund 97800 are used to support the Department's programs.

The Child Support Enforcement Division (CSED) aids New Mexico residents in obtaining support from noncustodial parents who have not made payments for their dependent children. In a number of these cases, the child is a recipient of financial assistance, and some of the payments collected from the parent may be retained by the Department as reimbursement of financial assistance to the child under other programs.

The Department estimates that noncustodial parents owe custodial parents a significant amount of past due support. An allowance for doubtful accounts has been recorded equal to the full amount owed by the noncustodial parents that the Department estimates will be uncollectible, resulting in a net receivable balance of zero in these financial statements. A significant portion of the amount is payable either to third parties such as the individual on whose behalf the payment was originally required or the U.S. Department of Health and Human Services for cases in which a child is receiving financial assistance from that department.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The government-wide financial statements and agency funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance (deficit) for these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A six-month availability period is used for federal revenue recognition. A 60-day availability period is used for revenue recognition for all other governmental fund revenues. Those revenues susceptible to accrual are primarily amounts due from the federal government and other state agencies. Expenditures are recorded when the related fund liability is incurred.

Specifically, all revenues are recognized as follows:

1. State general fund appropriations, which must be used in a specified manner, are recognized when authorized, all eligibility requirements have been met, and the resources are available. Certain special appropriations require project approval from the Department of Information Technology. The Department considers this part of the eligibility requirements and does not recognize the revenue until the approval is obtained.
2. Federal and other grants revenues are recognized when the applicable eligibility criteria, including time requirements, are met and the resources are available. Resources received for which applicable eligibility criteria have not been met are reflected as deferred revenues in the accompanying financial statements.
3. Issuances of food stamps to recipients, all of which are electronic, are reflected as expenditures with corresponding federal revenue recognized at that time.

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

\$5,000 that significantly extend the useful life of an asset are capitalized per Section 12-6-10 NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives in years:

Automobiles	4 to 10 years
Machinery and equipment	5 to 10 years
Data processing equipment	3 to 7 years
Furniture and fixtures	7 to 10 years

Supplies and Commodity Inventories

Supplies and commodity inventory is valued at an average unit cost which approximates the lower of cost or market method. Issuances of commodities to recipients are reflected as expenditures with corresponding federal revenue recognized at that time.

Other Liabilities

Other liabilities consist primarily of estimated program liabilities.

Compensated Absences

State employees may elect to be paid for accrued sick leave in excess of 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours (60 net hours can be paid) per fiscal year. In the case of retiring employees, up to 400 net hours of sick leave can be paid at a rate equal to 50% of their hourly rate. The Department has accrued a liability for sick leave in the government-wide financial statements.

The Department has accrued a liability for vacation pay which has been earned but not taken by Department employees. In the event of termination or retirement, an employee is reimbursed for accumulated vacation up to 240 hours plus compensatory time. Such leave has been accrued for in the governmental activities column of the department-wide statement of net position in the accompanying financial statements. Accrued vacation is calculated based on pay rate plus required taxes.

Due to State General Fund Investment Pool

The due to State General Fund Investment Pool represents primarily warrants issued and outstanding. This occurs as federal grant funds cannot be drawn down until after warrants have been issued.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of any related debt), restricted and unrestricted.

Net investment in capital assets – reflects the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted – Restricted assets are liquid assets generated from revenues but not bond proceeds which have third-party (statutory, bond covenant or granting agency) limitations on their use. Of the reported restricted net position on the government-wide statement of net position, all is restricted by enabling legislation. Such restrictions are legally enforceable.

Unrestricted – Represents assets that do not have third-party limitations on their use.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that qualified for reporting in this category as of June 30, 2014.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenues and Transfers

Other revenues consist primarily of the state's portion of reimbursements for previous overpayments of benefits.

Transfers in from (out to) other state agencies and governmental units are recorded as other financing sources (uses).

Budgets and Budgetary Accounting

The Department prepares budgets for its governmental funds, which are subject to approval by the New Mexico Department of Finance and Administration (DFA), based upon the appropriations made by the State Legislature. Budgets are controlled at the appropriation unit level (personal services, employee benefits, etc.), and amendments affecting a category are approved by DFA and the Legislative Finance Committee (LFC). Expenditures may not exceed appropriations at this level.

Appropriations are by the program code rather than the Fund level. As such, the Department has prepared budgetary schedules in the current year by program code.

Each year the Legislature approves multiple-year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

The unexpended balances of the State General Fund appropriation to the Department are to be reverted to the State General Fund at the end of each fiscal year. The Department also receives funding from various special and supplemental appropriations. The language of a particular appropriation determines when it lapses and whether or not unexpended balances revert to the State General Fund.

The budgets for the governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that pursuant to Chapter 6, Article 10, Section 4(B) NMSA 1978, appropriations to the Department for Medicaid payments may be expended for Medicaid obligations for prior fiscal years.

Healthcare Services Payable

Healthcare expenditures are accrued in the period during which services are provided and are based, in part, on estimates of accrued services provided but not yet reported by the providers to the Department. Healthcare services payable in the accompanying financial statements are payments to be made to providers for reported claims and for estimated incurred claims not yet reported to the Department. Management develops these estimates using actuarial methods

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

based upon historical data for payment patterns, cost trends, utilization of healthcare services and other relevant factors. When estimates change, the Department records the adjustment in healthcare services expense in the period the change in estimate occurs. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts recorded. While the ultimate amount of claims and the related payments are dependent on future developments, the Department believes that the reserves for claims are adequate to cover such claims and expenditures.

Federal Grants Receivable

Federal grants receivable represent estimated receivables to be collected from the federal government based on allowable unreimbursed expenditures at fiscal year end, and the amount of estimated health care services claims incurred but not yet reported to the Department that are expected to be reimbursed by the federal government once the claims are submitted to CMS for reimbursement.

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, funds of various state agencies, including the Department are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of the reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. DFA management considers it unlikely that this separate initiative will be successful in allocating any of the historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences will be reported in the State General Fund.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

NOTE 4 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2014, the Department had the following invested in/due to the State General Fund Investment Pool:

	<u>Fund</u>	<u>Department Balances</u>
Due to State General Fund Investment Pool:		
Medical assistance	97600	\$ 640
Severance tax bond proceeds	89200	948,281
Income support - L Warrants	97400	<u>120,908</u>
Total		<u>\$ 1,069,829</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

	Fund	Department Balances
Interest in the State General Fund Investment Pool:		
General Fund	05200	\$ 9,471,640
Traumatic brain injury	20520	1,279,073
Data processing appropriations	90100	249,869
Income support - N Warrants	97500	1,244,363
Medical assistance	97600	6,360,409
 Total governmental funds		18,605,354
 Child support enforcement - K Warrants	97800	1,170,942
 Total		\$ 19,776,296
 Other cash balances:		
Petty cash	05200	\$ 750
Wells Fargo Bank	97600	25,000
 Total other cash balances		\$ 25,750

Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 – CAPITAL ASSETS

Governmental activities:

The current year depreciation expense of \$4,131,654 was allocated entirely to the general government function in the government-wide statement of activities.

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Capital assets, not being depreciated:				
Software implementation in progress	\$ 52,099,296	\$ 52,959,557	\$ -	\$ 105,058,853
Capital assets, being depreciated:				
Automobiles	857,938	226,558	(143,421)	941,075
Equipment and machinery	1,006,966	17,167	(7,190)	1,016,943
Data processing equipment	8,618,071	371,398	(248,174)	8,741,295
Furniture and fixtures	229,993	-	-	229,993
Total capital assets	<u>62,812,264</u>	<u>53,574,680</u>	<u>(398,785)</u>	<u>115,988,159</u>
Accumulated depreciation				
Automobiles	(796,294)	(25,185)	143,421	(678,058)
Equipment and machinery	(850,800)	(15,861)	7,190	(859,471)
Data processing equipment	(4,861,670)	(4,083,879)	248,174	(8,697,375)
Furniture and fixtures	(170,463)	(6,729)	-	(177,192)
Total accumulated depreciation	<u>(6,679,227)</u>	<u>(4,131,654)</u>	<u>398,785</u>	<u>(10,412,096)</u>
Total capital assets	<u>\$ 56,133,037</u>	<u>\$ 49,443,026</u>	<u>\$ -</u>	<u>\$ 105,576,063</u>

NOTE 6 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Total compensated absences	<u>\$ 3,467,025</u>	<u>\$ 3,770,340</u>	<u>\$ (3,726,678)</u>	<u>\$ 3,510,687</u>

Resources of the Department's General Fund will be utilized to liquidate the compensated absences liability, which is expected to be liquidated in the coming year.

The Department has recorded all of the accrued compensated absences as a current liability on the statement of net position.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - UNSETTLED PROVIDER COST REPORTS AND UNFILED CLAIMS

In-state institutional health care providers that provide services to the Department's Medicaid clients are required to submit cost reports to the state's audit agent on an annual basis. The reports provide support for the cost of client care for which the health care provider has been reimbursed. The Department has engaged a third-party audit agent to review these cost reports for the final settlement of claimed costs.

Cost reports with a fiscal year ending up to December 31, 2013 were 70% completed by June 30, 2014. Cost reports filed after this date are pending review, approval of audit adjustments and final settlement. The Department estimated and recorded the amounts it expects to pay or receive upon final settlement of these cost reports.

NOTE 8 - CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Department's various programs are subject to audit by applicable agencies of the U.S. Government. The Department is also subject to a variety of claims and lawsuits that arise from time to time. Results of such audits, claims and lawsuits may or may not result in losses to the Department. In accordance with SFAS No. 5, *Accounting for Contingencies*, amounts are recorded as charges to expenditures when management, after taking into consideration the facts and circumstances of each matter, including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

As of June 30, 2014, the Department was aware of three related federal audits issued by DHHS OIG covering personal care services (PCO) in which the likelihood of an unfavorable outcome is probable. As of December 14, 2014, any amount due and owing to the federal government related to two (2) of these audits is undetermined. In the third appeal, DHHS has disallowed federal financial participation totaling \$19,771,608. At the request of the Department, however, the DHHS Appeals Board has agreed to hold the Department's appeal of that matter in abeyance pending the outcome of a similar appeal by the Georgia Department of Community Health in the Washington D.C. District Court.

The Department at June 30, 2014 was also aware of a case involving reimbursements for pharmaceutical payments and the interpretation of a state statute that gives pharmacists a fixed fee for dispensing drugs under the Medicaid program. The New Mexico Court of Appeals both affirmed and reversed in part the district court's opinion. On August 25, 2014, the New Mexico Supreme Court dismissed all of the plaintiffs' claims against the Department and the defendant managed care organizations relating to Medicaid managed care. The case has been remanded to the district court on the remaining Medicaid fee-for-service claims. The potential exposure to the Department on the fee-for-service claims is as yet undetermined.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute 8.37% of their gross salary. The Department is required to contribute 15.63% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department contributes to the plan under State general member coverage plan three. The Department's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$11,166,263, \$9,824,254 and \$8,439,523, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10 – SPECIAL APPROPRIATIONS

Special, deficiency and specific appropriations during the year consisted of the following:

Description	Authority	Appropriation Period	Original Appropriation	Cumulative Expenditures 6/30/2014	Amount to be Reverted	Unencumbered Appropriations
FUND 901 - DATA PROCESSING APPROPRIATIONS						
CSED	To upgrade the child support enforcement system	July 2011 to June 2014	\$ 187,000	\$ 187,000	\$ -	\$ -
CSED	To implement the child support enforcement replacement system	July 2013 to June 2016	527,300	-	-	527,300
ASPEN	To plan, design, purchase and install information technology, including related infrastructure	July 2011 to June 2016	8,100,000	7,352,184	-	747,816
ASPEN	Continued replacing of the income support division integrated services delivery system	July 2012 to June 2015	6,392,000	5,401,080	-	990,920
ASPEN	Continued funding for replacement of ISD computer system	July 2011 to June 2014	1,900,000	1,900,000	-	-
Fund 901 total			\$ 16,392,000	\$ 14,653,264	\$ -	\$ 1,738,736

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – SPECIAL APPROPRIATIONS (CONTINUED)

Description	Authority	Appropriation Period	Original Appropriation	Cumulative Expenditures 6/30/2014	Amount to be Reverted	Unencumbered Appropriations
FUND 975 - INCOME SUPPORT						
 N WARRANTS						
SSIAR	Social Security funding to support the General Assistance Program	July 2013 to June 2014	\$ 451,710	\$ 201,480	\$ -	\$ 250,230
Tobacco Settlement	TANF funds to CYFD to fund appropriations made from the Tobacco Settlement Fund	July 2013 to June 2014	4,221,200	934,026	-	3,287,174
Fund 975 total			\$ 4,672,910	\$ 1,135,506	\$ -	\$ 3,537,404

NOTE 11 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term health policies.

Eligible retirees are: 1) retirees who made contributions to the fund for at least five years prior to retirement and whose eligible employer made contributions during that period of time as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7c-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

**NOTE 11 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During fiscal year 2014, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary. In addition, pursuant to Section 10-7C-15(G)1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Authority, in order to ensure the actuarial soundness of the benefits provided under the Retiree Healthcare Act.

The Department's contributions to the RHCA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,354,669, \$1,351,984 and \$1,208,117, respectively, which equal the amount of required contributions for each fiscal year.

NOTE 12 – LEASE COMMITMENTS

The Department has commitments greater than one year in duration for office space and equipment under operating lease agreements requiring minimum future lease payments as follows:

Years ending June 30:

2015	\$ 17,007,236
2016	11,513,314
2017	10,867,417
2018	8,854,627
2019	5,868,048
2020 – 2024	<u>21,418,282</u>
Total	<u>\$ 75,528,924</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 12 – LEASE COMMITMENTS (CONTINUED)

Total rent expense for office space and equipment for the fiscal year ended June 30, 2014 was as follows:

Office space	\$ 16,641,894
Equipment	<u>1,050,884</u>
Total	<u>\$ 17,692,778</u>

NOTE 13 - REVERSION PAYABLE TO STATE GENERAL FUND

Unexpended cash balances of the Department's governmental funds are subject to reversion to the State's General Fund unless they are multi-year appropriations or the appropriation periods are specifically extended by act of the Legislature. Funds held on behalf of others in the Department's Child Support Enforcement Fund are excluded from reversion because monies in the Fund do not belong to the Department or the State. During the fiscal year ending June 30, 2014, the Department reverted \$22,526,195 pertaining to fiscal year 2013 and \$33,652 pertaining to fiscal years 2011, and 2012. The Department accrued a \$5,937,104 liability for reversions specifically related to fiscal year ending June 30, 2014. The \$47,079 amount shown for fiscal year 2013 below is for stale-dated warrants. The amount to be reverted to the State General Fund for the stale-dated warrants may be less than shown due to federal participation. The reversion payable by fund, program and appropriation period were as follows:

Prior Fiscal Years

Fund 052	General Fund	Fiscal Year 2013	\$ <u>47,079</u>
			47,079

Current Fiscal Year

Fund 975	Income Support	Fiscal Year 2014	201,480
Fund 976	Medical Assistance	Fiscal Year 2014	4,898,002
Fund 052	General Fund	Fiscal Year 2014	<u>837,622</u>
			<u>\$ 5,984,183</u>

STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - TRANSFERS IN AND TRANSFERS OUT

<u>State Agency/Fund</u>	<u>Business Unit</u>	<u>SHARE Fund No.</u>	<u>Purpose</u>
TRANSFERS IN			
Department of Health	66500	06100	CCIC
Department of Health	66500	06100	Early Intervention
Department of Health	66500	06100	FQHCS
Department of Health	66500	06100	Compensation Package
Department of Health	66500	06100	DD Waiver
Department of Health	66500	06100	PHD - OTC
Dept. of Finance & Administration	34100	02100	County Supported Medicaid Fund (Admin)
Dept. of Finance & Administration	34100	62000	Tobacco Settlement
Dept. of Finance & Administration	34100	89000	Severance Tax Bond Proceeds
 State General Fund:			
Dept. of Finance & Administration	34100	62000	Regular Appropriation
Dept. of Finance & Administration	34100	62000	Special Appropriations
Dept. of Finance & Administration	34100	62000	Transfer to fund 976 deficit

General Fund (05200)	Severance Tax Bond Proceeds (89200)	Data Processing Appropriations (90100)	Income Support (97500)	Medical Assistance (97600)	Total
\$ -	\$ -	\$ -	\$ -	\$ 93,800,686	\$ 93,800,686
-	-	-	-	6,663,045	6,663,045
-	-	-	-	481,600	481,600
298,600	-	-	-	-	298,600
132,365	-	-	-	-	132,365
-	-	-	-	165	165
795,111	-	-	-	25,708,581	26,503,692
-	-	-	-	9,219,700	9,219,700
-	6,140,591	-	-	-	6,140,591
<u>\$ 1,226,076</u>	<u>\$ 6,140,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,873,777</u>	<u>\$ 143,240,444</u>
\$ 111,729,865	\$ -	\$ -	\$ 11,878,700	\$ 912,697,867	\$1,036,306,432
-	-	712,566	-	-	712,566
-	-	-	-	73,745,820	73,745,820
<u>\$ 111,729,865</u>	<u>\$ -</u>	<u>\$ 712,566</u>	<u>\$ 11,878,700</u>	<u>\$ 986,443,687</u>	<u>\$1,110,764,818</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 14 - TRANSFERS IN AND TRANSFERS OUT (CONTINUED)

State Agency/Fund	Business Unit	SHARE Fund No.	Purpose
TRANSFERS OUT			
Children Youth & Families Dept.	69000	49100	TANF - Child Care & Training
Children Youth & Families Dept.	69000	06700	Medicaid Case Management
Children Youth & Families Dept.	69000		TANF - Special Appropriation Tobacco Settlement
Children Youth & Families Dept.	69000		Children's Program
Department of Health	66500	60100	Payment to Public Providers
Department of Health	66500	06100	Medicaid - DD Waiver
Department of Health	66500	06100	Medicaid - LTSD - DHI
Department of Health	66500	06100	Medicaid - ICF for the MR and Long Term Care
Department of Health	66500	06104	Public Health Division
Department of Health	66500	06100	Medicaid - Admin Claiming
Department of Health	66500	06100	Medicaid - Families First
Department of Health	66500	06100	Medicaid - Maternal Child Health Initiative
Department of Health	66500	06104	Refugee CMA - Health Screening
Department of Health	66500	06100	Medicaid - EPSDT
Department of Health	66500	06100	Medicaid - Aids Waiver
Department of Health	66500	06100	Medicaid - Nurse Aide Training
Aging and Long-term Care Dept.	62400	04900	Medicaid - Administration
Developmental Disabilities Planning Council	64700	07900	Medicaid - Guardianship
Developmental Disabilities Planning Council	64700	07900	Medicaid - BabyNet
University of New Mexico	96900	3D041	Medicaid
University of New Mexico	96900		Medicaid - CHIPRA
University of New Mexico	96900	330Q6	Medicaid - Envision NM

General Fund (05200)	Income Support (97500)	Medical Assistance (97600)	Total
\$ -	\$ 27,277,500	\$ -	\$ 27,277,500
1,030,820	-	-	1,030,820
-	934,026	-	934,026
433,800	-	-	433,800
-	-	8,495,892	8,495,892
6,905,592	-	-	6,905,592
1,617,305	-	-	1,617,305
1,003,960	-	-	1,003,960
840,983	-	-	840,983
638,452	-	-	638,452
340,666	-	-	340,666
145,164	-	-	145,164
151,315	-	-	151,315
114,953	-	-	114,953
14,211	-	-	14,211
1,364	-	-	1,364
600,000	-	-	600,000
106,171	-	-	106,171
75,000	-	-	75,000
518,723	-	-	518,723
393,525	-	-	393,525
375,795	-	-	375,795
<u>\$ 15,307,799</u>	<u>\$ 28,211,526</u>	<u>\$ 8,495,892</u>	<u>\$ 52,015,217</u>

STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 15 - DUE TO/FROM OTHER STATE AGENCIES

State Agency	Business Unit	Purpose
DUE TO OTHER STATE AGENCIES		
Aging & Long-Term Services Department	62400	Long-term Elderly care
Children, Youth and Families Department	69000	Medicaid and TANF Services
DD Planning Council	64700	Determine Disability Eligibility
Department of Health	66500	Medicaid and TANF Services
Department of Information Technology	36100	Support Services
General Services Department	35000	Support Services
New Mexico Mortgage Finance Authority	81400	Low Income Home Energy Assistance
State Records Center & Archives	36900	Support Services
Department of Education	92400	TANF Services
Department of Public Safety	79000	Synar
University of New Mexico	96900	Envision New Mexico

DUE FROM OTHER STATE AGENCIES

Taxation and Revenue Department	33300	Reimbursement for shared facilities
Office of the Attorney General	30500	Medicaid Fraud Control Unit Proceeds
Department of Corrections	77000	Reimbursement for shared facilities
Department of Finance & Administration	34100	County Supported Medicaid Funds
Department of Finance & Administration	34100	Severance tax bond proceeds
Department of Health	66500	DD Waiver Staff
Department of Health	66500	CCIC
NM Veterans' Commission	67000	Reimbursement for shared facilities

General Fund (05200)	Severance Tax Bond Proceeds (89200)	Data Processing Appropriations (90100)	Income Support L Warrants (97400)	Income Support N Warrants (97500)	Medical Assistance (97600)	Total
\$ (152,096)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (152,096)
(408,066)	-	-	-	(3,207,151)	-	(3,615,217)
(132,805)	-	-	-	-	-	(132,805)
(6,339,300)	-	-	-	-	(5,580)	(6,344,880)
(1,667,717)	-	(558,479)	-	-	-	(2,226,196)
(26,873)	-	(5,250)	-	-	-	(32,123)
-	-	-	(140,067)	-	-	(140,067)
(1,564)	-	-	-	-	-	(1,564)
(2,329)	-	-	-	-	-	(2,329)
(26,125)	-	-	-	-	-	(26,125)
(1,598,647)	-	-	-	-	-	(1,598,647)
<u>\$ (10,355,522)</u>	<u>\$ -</u>	<u>\$ (563,729)</u>	<u>\$ (140,067)</u>	<u>\$ (3,207,151)</u>	<u>\$ (5,580)</u>	<u>\$ (14,272,049)</u>
\$ 8,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,303
-	-	-	-	-	446,134	446,134
36,556	-	-	-	-	-	36,556
246,356	-	-	-	-	3,814,035	4,060,391
-	948,281	-	-	-	-	948,281
77,500	-	-	-	-	-	77,500
-	-	-	-	-	15,050,068	15,050,068
4,090	-	-	-	-	-	4,090
<u>\$ 372,805</u>	<u>\$ 948,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,310,237</u>	<u>\$ 20,631,323</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 16 - RISK MANAGEMENT

The Department, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for State of New Mexico employees.

During the 2014 fiscal year, the Department paid Risk Management \$2,621,992 in insurance premiums. The Department's loss exposure is limited to \$1,000 deductible. After consulting with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2014, 2013 and 2012, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department, with one exception. In a civil action brought pursuant to 42 CFR § 1983 titled Mend Inc. v. Retta Ward et al., No. CIV 13-0870/WJ/LAM, filed in the United States District Court, District of New Mexico on September 17, 2013, RMD covered the Department and the New Mexico Department of Health for alleged violations of a nursing facility's constitutional rights under the Fifth and Fourteenth Amendments. RMD did not cover either agency, however, for concurrent breach of contract claims. The matter was settled on or about September 18, 2014 for \$165,000 – of which the Department paid \$15,000.

NOTE 17 - FUND BALANCE

Governmental Accounting Standards Board (GASB) Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned and unassigned.

The agency's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by legislation of the Legislature; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

The Department did not have any assigned fund balances at June 30, 2014. A summary of the nature and purpose of these reserves by fund type at June 30, 2014 follows:

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 17 - FUND BALANCE (CONTINUED)

	Non- Spendable	Assigned Purposes	Restricted Purposes	Committed Purposes
General Fund:				
Inventory	\$ 56,231	\$ -	\$ -	\$ -
SNAP Bonus	-	889,472	-	-
Child Support Incentives	-	6,544,866	-	-
DASIS funding - Behavioral Health	-	-	259,732	-
Total	<u>\$ 56,231</u>	<u>\$ 7,434,338</u>	<u>\$ 259,732</u>	<u>\$ -</u>
Data Processing Appropriations:				
Child Support Enforcement Replacement System (Laws of 2014, Chapter 63, Section 7)	\$ -	\$ -	\$ -	\$ 527,300
ASPEN - new eligibility system (Laws of 2011, Chapter 179, Section 7)	-	-	-	990,924
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,224</u>
Income Support - N Warrants				
SSIR (Laws of 2011, Section 5, Chapter 179, Item 17)	\$ -	\$ -	\$ -	\$ 250,230
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,230</u>
Traumatic Brain Injury:				
Brain Injury service funds	\$ -	\$ -	\$ -	\$ 1,012,662
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012,662</u>

NOTE 18 - DEFICIT FUND BALANCE – FUND 97600

The Medical Assistance Fund (97600) had a deficit fund balance of \$73,745,820 as of June 30, 2014, prior to a transfer from the State General Fund. Issues in reporting and claiming Medicaid reimbursements from CMS over a multi-year period contributed to the deficit position. This deficit fund balance was funded by the New Mexico State General Fund, effective June 30, 2014.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 20 - SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the Department in fiscal year 2015 and it will require the Department to record its proportionate share of the unfunded pension plan liabilities in the New Mexico State Retirement System and other plans. Although the amount of the liability is unknown, it is presumed to be material.

In January 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will be effective for the Department in fiscal year 2015. GASBS No. 68 will require the Department to record its proportionate share of the unfunded pension plan liabilities in the New Mexico State Retirement System and other plans. Although the amount of the liability is unknown, it is presumed to be material.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combination* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact (if any) of this pronouncement on its financial statements.

NOTE 19 – OVER-EXPENDITURE OF BUDGET

During the year ended June 30, 2014, the Department over-expended its budget in the Medicaid Behavioral Health Program (P766). Budgeted expenditures were \$343,272,000 and actual expenditures were \$346,210,097, with over-expenditures in the amount of \$2,938,097.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 PROGRAM SUPPORT PROGRAM - P522
 GENERAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 36,044,900	\$ 41,414,427	\$ 33,958,914	\$ (7,455,513)
Other	4,044,200	4,308,760	7,587,605	3,278,845
TOTAL REVENUES	<u>40,089,100</u>	<u>45,723,187</u>	<u>41,546,519</u>	<u>(4,176,668)</u>
EXPENDITURES				
Current:				
Personnel services and benefits	18,029,200	17,079,314	16,065,509	1,013,805
Contractual services	20,840,500	26,616,070	24,649,132	1,966,938
Other cost	13,305,000	14,220,817	13,084,470	1,136,347
TOTAL EXPENDITURES	<u>52,174,700</u>	<u>57,916,201</u>	<u>53,799,111</u>	<u>4,117,090</u>
OTHER FINANCING SOURCES				
Transfers in:				
General funds	12,085,600	12,193,014	12,193,014	-
TOTAL OTHER FINANCING SOURCES	<u>12,085,600</u>	<u>12,193,014</u>	<u>12,193,014</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (59,578)</u>	<u>\$ (59,578)</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 CHILD SUPPORT PROGRAM - P523
 GENERAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 19,792,500	\$ 19,792,500	\$ 19,186,221	\$ (606,279)
Other	5,961,700	5,961,700	8,684,434	2,722,734
TOTAL REVENUES	<u>25,754,200</u>	<u>25,754,200</u>	<u>27,870,655</u>	<u>2,116,455</u>
EXPENDITURES				
Current:				
Personnel services and benefits	20,294,200	21,099,905	18,790,210	2,309,695
Contractual services	7,803,400	7,803,400	6,168,509	1,634,891
Other cost	5,440,600	5,440,600	4,956,776	483,824
TOTAL EXPENDITURES	<u>33,538,200</u>	<u>34,343,905</u>	<u>29,915,495</u>	<u>4,428,410</u>
OTHER FINANCING SOURCES				
Transfers in:				
General funds	7,784,000	8,589,705	8,589,705	-
TOTAL OTHER FINANCING SOURCES	<u>7,784,000</u>	<u>8,589,705</u>	<u>8,589,705</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,544,865</u>	<u>\$ 6,544,865</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 MEDICAL ASSISTANCE PROGRAM - P524
 GENERAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 2,963,631,500	\$ 2,945,686,828	\$ 2,853,694,388	\$ (91,992,440)
Other	<u>119,440,400</u>	<u>119,440,400</u>	<u>107,337,551</u>	<u>(12,102,849)</u>
TOTAL REVENUES	<u>3,083,071,900</u>	<u>3,065,127,228</u>	<u>2,961,031,939</u>	<u>(104,095,289)</u>
EXPENDITURES				
Current:				
Personnel services and benefits	13,315,900	14,007,731	12,237,609	1,770,122
Contractual services	46,038,200	57,087,567	49,756,232	7,331,335
Healthcare services	<u>3,972,896,700</u>	<u>3,924,482,345</u>	<u>3,820,821,438</u>	<u>103,660,907</u>
TOTAL EXPENDITURES	<u>4,032,250,800</u>	<u>3,995,577,643</u>	<u>3,882,815,279</u>	<u>112,762,364</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General funds	838,793,200	820,064,715	820,064,715	-
Transfers in from other state agencies	142,852,400	142,852,400	210,580,573	67,728,173
Transfers out:				
Transfers out to other state agencies	(32,466,700)	(32,466,700)	(29,309,488)	3,157,212
Reversion	<u>-</u>	<u>-</u>	<u>(4,898,000)</u>	<u>(4,898,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>949,178,900</u>	<u>930,450,415</u>	<u>996,437,800</u>	<u>65,987,385</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,654,460</u>	<u>\$ 74,654,460</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 INCOME SUPPORT PROGRAM - P525
 GENERAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 868,195,300	\$ 871,259,431	\$ 796,222,280	\$ (75,037,151)
Other	3,874,600	3,874,600	2,432,484	(1,442,116)
TOTAL REVENUES	<u>872,069,900</u>	<u>875,134,031</u>	<u>798,654,764</u>	<u>(76,479,267)</u>
EXPENDITURES				
Current:				
Personnel services and benefits	54,033,900	56,834,499	56,229,598	604,901
Contractual services	24,892,200	25,259,517	22,136,672	3,122,845
Other cost	809,800,000	812,644,829	739,320,045	73,324,784
TOTAL EXPENDITURES	<u>888,726,100</u>	<u>894,738,845</u>	<u>817,686,315</u>	<u>77,052,530</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General funds	44,689,700	47,693,629	47,683,361	(10,268)
Transfers out:				
Transfers out to other state agencies	(28,033,500)	(28,088,815)	(27,428,815)	660,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,656,200</u>	<u>19,604,814</u>	<u>20,254,546</u>	<u>649,732</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,222,995</u>	<u>\$ 1,222,995</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 MEDICAID BEHAVIORAL HEALTH PROGRAM - P766
 GENERAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 215,452,000	\$ 237,902,000	\$ 234,963,903	\$ (2,938,097)
TOTAL REVENUES	<u>215,452,000</u>	<u>237,902,000</u>	<u>234,963,903</u>	<u>(2,938,097)</u>
EXPENDITURES				
Current:				
Contractual services	-	17,850,000	-	17,850,000
Other cost	306,072,000	325,422,000	346,210,097	(20,788,097)
TOTAL EXPENDITURES	<u>306,072,000</u>	<u>343,272,000</u>	<u>346,210,097</u>	<u>(2,938,097)</u>
OTHER FINANCING SOURCES				
Transfers in:				
General funds	90,620,000	105,370,000	105,370,000	-
TOTAL OTHER FINANCING SOURCES	<u>90,620,000</u>	<u>105,370,000</u>	<u>105,370,000</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,876,194)</u>	<u>\$ (5,876,194)</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 BEHAVIORAL HEALTH SERVICE PROGRAM - P767
 GENERAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 16,968,100	\$ 20,862,683	\$ 18,965,707	\$ (1,896,976)
Other	38,300	38,300	83,682	45,382
TOTAL REVENUES	<u>17,006,400</u>	<u>20,900,983</u>	<u>19,049,389</u>	<u>(1,851,594)</u>
EXPENDITURES				
Current:				
Personnel services and benefits	2,759,900	2,615,837	2,082,639	533,198
Contractual services	54,714,800	58,760,116	57,512,139	1,247,977
Other cost	523,200	577,967	528,755	49,212
TOTAL EXPENDITURES	<u>57,997,900</u>	<u>61,953,920</u>	<u>60,123,533</u>	<u>1,830,387</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General funds	42,344,200	42,405,637	42,405,637	-
Compensation package	-	-	17,300	17,300
Transfers out:				
Transfers out to other state agencies	(1,352,700)	(1,352,700)	(1,274,783)	77,917
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,991,500</u>	<u>41,052,937</u>	<u>41,148,154</u>	<u>95,217</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,010</u>	<u>\$ 74,010</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 PROGRAM SUPPORT PROGRAM - P522
 SPECIAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Fund balance	\$ 1,660,992	\$ 4,348,488	\$ 2,696,336	\$ (1,652,152)
Federal grants	44,206,886	60,446,770	40,938,047	(19,508,723)
TOTAL REVENUES	<u>45,867,878</u>	<u>64,795,258</u>	<u>43,634,383</u>	<u>(21,160,875)</u>
EXPENDITURES				
Current:				
Personnel services and benefits	4,000,000	6,614,718	5,642,810	971,908
Contractual services	52,574,122	69,259,771	42,103,943	27,155,828
Other cost	6,107,752	5,833,335	2,214,520	3,618,815
TOTAL EXPENDITURES	<u>62,681,874</u>	<u>81,707,824</u>	<u>49,961,273</u>	<u>31,746,551</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General funds	16,813,996	16,912,566	6,853,157	(10,059,409)
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,813,996</u>	<u>16,912,566</u>	<u>6,853,157</u>	<u>(10,059,409)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,267</u>	<u>\$ 526,267</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE -
 INCOME SUPPORT PROGRAM - P525
 SPECIAL APPROPRIATIONS
 Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Fund balance	\$ -	\$ 451,710	\$ -	\$ (451,710)
Federal grants	-	4,221,200	934,026	(3,287,174)
TOTAL REVENUES	-	4,672,910	934,026	(3,738,884)
EXPENDITURES				
Current:				
Other cost	-	451,710	201,480	250,230
TOTAL EXPENDITURES	-	451,710	201,480	250,230
OTHER FINANCING USES				
Transfers out:				
Transfers out to other state agencies	-	(4,221,200)	(934,026)	3,287,174
TOTAL OTHER FINANCING USES	-	(4,221,200)	(934,026)	3,287,174
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ (201,480)	\$ (201,480)

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO BUDGETARY COMPARISON SCHEDULES
Year Ended June 30, 2014

The budget is adopted on a modified accrual basis of accounting (General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Department has not included such reconciliation for fiscal year 2014 as all payables were paid by the statutory deadline.

The Department has prepared budgetary schedules in the current year by program code. A reconciliation of the budgetary schedules to the financial statements has been prepared below.

	<u>Revenue</u>	<u>Expenses</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
Net changes in fund balance per statement of revenues, expenditures and changes in fund balance				
General Fund (052)	\$ 184,053,551	\$ (273,283,254)	\$ 96,810,520	\$ 7,580,817
Traumatic Brain Injury (20520)	921,223	(1,271,262)	-	(350,039)
Data Processing Appropriations (901)	44,698,962	(47,580,561)	712,566	(2,169,033)
Income Support L Warrants (974)	8,707,707	(8,707,707)	-	-
Income Support N Warrants (975)	746,193,684	(729,860,858)	(16,534,306)	(201,480)
Medicaid Assistance (976)	<u>3,143,110,451</u>	<u>(4,180,008,941)</u>	<u>1,108,923,570</u>	<u>72,025,080</u>
Total	<u>\$ 4,127,685,578</u>	<u>\$ (5,240,712,583)</u>	<u>\$ 1,189,912,350</u>	<u>\$ 76,885,345</u>

Net changes in fund balance per budget schedules

General Appropriations:				
Program Support Program (P-522)	\$ 41,546,519	\$ (53,799,111)	\$ 12,193,014	\$ (59,578)
Child Support Program (P-523)	27,870,655	(29,915,495)	8,589,705	6,544,865
Medical Assistance Program (P-524)	2,961,031,939	(3,882,815,279)	996,437,800	74,654,460
Income Support Program (P-525)	798,654,764	(817,686,315)	20,254,546	1,222,995
Medicaid Behavioral Health Program (P-766)	234,963,903	(346,210,097)	105,370,000	(5,876,194)
Behavioral Health Service (P-767)	19,049,389	(60,123,533)	41,148,154	74,010
Special Appropriations:				
Program Support Program (P-522)	43,634,383	(49,961,273)	6,853,157	526,267
Income Support Program (P-525)	<u>934,026</u>	<u>(201,480)</u>	<u>(934,026)</u>	<u>(201,480)</u>
	<u>\$ 4,127,685,578</u>	<u>\$ (5,240,712,583)</u>	<u>\$ 1,189,912,350</u>	<u>\$ 76,885,345</u>

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS
Year Ended June 30, 2014

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY14		Division
			Beginning	Ending			Contract Amount	Expended Amount	
Cofax County	Implement the Food & Drug Administration	GSA 12-630-7903-0020	12/30/11	09/30/14	HSD	\$ 37,034	\$ 12,343	\$ 12,343	BHSD
CYFD (CMHS)	Behavioral Health Services for Children	GSA 14-630-7903-0010	07/01/13	06/30/16	HSD	\$ 1,278,819	\$ 426,273	\$ 426,273	BHSD
CYFD	Domestic Violence Services	GSA 14-630-7903-0006	07/01/13	06/30/16	HSD	\$ 238,290	\$ 79,430	\$ 79,430	BHSD
Department of Health	Behavioral Health Epidemiology	GSA 14-630-7904-0018	07/01/13	06/30/16	HSD	\$ 375,000	\$ 62,500	\$ 62,500	BHSD
Department of Health	SPE Grant - Epidemiology and Response Division (ERD)	GSA 14-630-7903-0007 A1	07/01/13	06/30/16	HSD	\$ 90,000	\$ 54,200	\$ 54,200	BHSD
Department of Health	Turquoise Lodge Detox Services	GSA 14-630-7903-0012	07/01/13	06/30/16	HSD	\$ 2,147,874	\$ 715,958	\$ 715,958	BHSD
Department of Health	Synar DB	GSA 14-630-7903-0011	07/01/13	06/30/16	HSD	\$ 42,000	\$ 14,000	\$ 14,000	BHSD
Department of Health	Youth Risk & Resiliency Survey	GSA 14-630-7903-0008	07/01/13	06/30/16	HSD	\$ 90,000	\$ 84,000	\$ 84,000	BHSD
Department of Health	DIG Grant	GSA 13-630-7903-0036	04/25/13	08/01/13	HSD	\$ 10,000	\$ 5,000	\$ 5,000	BHSD
Department of Health	ERD - OSAP	GSA 14-630-7903-0027	01/01/14	06/30/14	HSD	\$ 30,000	\$ 30,000	\$ 30,000	BHSD
Department of Public Safety	Implement the Food & Drug Administration	GSA 14-630-7903-0019 A1	07/01/13	09/30/16	HSD	\$ 302,000	\$ 101,000	\$ 101,000	BHSD
Five Sandoval Indian Pueblos	Implement the Food & Drug Administration	GSA 13-630-7903-0023 A1	09/30/12	09/30/13	HSD	\$ 15,376	\$ 3,844	\$ 3,844	BHSD
University of New Mexico	UNM/PASRR Services	GSA 14-630-7903-0009	07/01/13	06/30/16	HSD	\$ 508,200	\$ 219,450	\$ 219,450	BHSD
University of New Mexico	Psychiatric Behavioral Health Services - Children, Adolescents	GSA 14-630-7903-0017	07/01/13	06/30/16	HSD	\$ 675,000	\$ 225,000	\$ 225,000	BHSD
University of New Mexico	CASAA Multimedia Educational Campaign	GSA 14-630-7903-0014	07/01/13	06/30/16	HSD	\$ 39,600	\$ 19,800	\$ 19,800	BHSD
University of New Mexico	CBHTR - Psychiatric	GSA 14-630-7903-0015	07/01/13	06/30/16	HSD	\$ 675,000	\$ 142,348	\$ 142,348	BHSD
University of New Mexico	School Based Health Centers	GSA 14-630-7903-0016	07/01/13	06/30/16	HSD	\$ 779,451	\$ 259,817	\$ 259,817	BHSD
University of New Mexico	Implement the Food & Drug Administration	GSA 12-630-7903-0034	04/16/12	09/24/14	HSD	\$ 39,094	\$ 7,200	\$ 7,200	BHSD
University of New Mexico	COSAP Alcohol Related Fatalities	GSA 14-630-7903-0013	07/01/13	06/30/16	HSD	\$ 516,807	\$ 172,269	\$ 172,269	BHSD
University of New Mexico	COSAP Implement the Food and Drug Administration	GSA 12-630-7903-0022	12/15/11	09/30/14	HSD	\$ 67,627	\$ 5,604	\$ 5,604	BHSD
1st Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0001 A1	07/01/12	06/30/14	HSD	\$ 652,200	\$ 326,100	\$ 326,100	CSED
2nd Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0002 A2	07/01/12	06/30/14	HSD	\$ 1,942,482	\$ 1,011,241	\$ 1,011,241	CSED
3rd Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0003	07/01/12	06/30/14	HSD	\$ 835,400	\$ 417,700	\$ 417,700	CSED
7th Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0004 A1	07/01/12	06/30/14	HSD	\$ 596,472	\$ 298,236	\$ 298,236	CSED
9th Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0005 A1	07/01/12	06/30/14	HSD	\$ 1,054,152	\$ 554,932	\$ 554,932	CSED
11th Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0006 A1	07/01/12	06/30/14	HSD	\$ 661,000	\$ 330,500	\$ 330,500	CSED
13th Judicial District Court	CSED-Hearing Officer(s)	GSA-13-630-7101-0007 A1	07/01/12	06/30/14	HSD	\$ 608,000	\$ 304,000	\$ 304,000	CSED
Department of Health	Vital Records	GSA 14-630-7101-0001	07/01/13	06/30/14	HSD	\$ 70,000	\$ 70,000	\$ 70,000	CSED
The Navajo Nation	For NN CSED	GSA 14-630-7101-0002	07/01/13	06/30/14	HSD	\$ 40,000	\$ 40,000	\$ 40,000	CSED
CYFD - Child Care	TANF Block Grant - Child Care	GSA 14-630-9000-0004	07/01/13	06/30/14	HSD	\$ 27,277,500	\$ 27,277,500	\$ 27,277,500	ISD
Department of Health	Refugee Health Screening	GSA 14-630-9000-0001	07/01/13	06/30/14	HSD	\$ 151,315	\$ 151,315	\$ 151,315	ISD
Institute of American Indian Art	SNAP-Ed	GSA 14-630-9000-0012	04/01/14	09/30/14	HSD	\$ 63,003	\$ 10,003	\$ 10,003	ISD
Las Cruces Public Schools	SNAP-Ed	GSA 12-630-9000-0026 A3	10/11/11	09/30/14	HSD	\$ 681,710	\$ 239,512	\$ 239,512	ISD
Lutheran Family Services Rocky Mountains	Refugee Social Services	GSA 13-630-9000-0025 A1	07/01/12	06/30/14	HSD	\$ 310,985	\$ 171,715	\$ 171,715	ISD
Lutheran Family Services Rocky Mountains	RSIP School Impact	GSA 13-630-9000-0035 A1	04/12/13	08/14/14	HSD	\$ 310,984	\$ 236,212	\$ 236,212	ISD
NM Mortgage Finance Authority - Homeless Shelter	Homeless Support Services	GSA 14-630-9000-0002 A1	07/01/13	06/30/14	HSD	\$ 925,700	\$ 925,700	\$ 925,700	ISD
NM Mortgage Finance Authority - Weatherization	LIHEAP Weatherization Assistance	GSA 14-630-9000-0003	07/01/13	06/30/14	HSD	\$ 1,368,000	\$ 1,368,000	\$ 1,368,000	ISD
NMSU - Regents	SNAP-Ed	GSA 12-630-9000-0027A3	09/29/11	09/30/14	HSD	\$ 4,137,455	\$ 1,574,253	\$ 1,574,253	ISD

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS (CONTINUED)
 Year Ended June 30, 2014

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY14		Division
			Beginning	Ending			Contract Amount	Expended Amount	
UNM - Prevention Research Center	SNAP-Ed	GSA 12-630-9000-0028 A4	09/29/11	09/30/13	HSD	\$ 1,391,914	\$ 532,990	\$ 532,990	ISD
Zuni Pueblo	TANF	GSA 14-630-9000-0007	07/01/13	06/30/14	HSD	\$ 31,000	\$ 31,000	\$ 31,000	ISD
Aging and Long Term Services Division	Title XIX	GSA-12-630-8000-0014 A1	07/01/11	06/30/16	HSD	\$ 3,513,178	\$ 600,000	\$ 600,000	MAD
CYFD	Case Management - Protective Services	JPA 95-17	06/18/94	UT	HSD	\$ 5,451,995	\$ 1,030,820	\$ 1,030,820	MAD
Department of Health	Admin Claiming	JPA 11-630-8000-0008	07/01/10	06/30/15	HSD	\$ 4,800,000	\$ 347,612	\$ 347,612	MAD
Department of Health	EPSDT	JPA 95 29	07/01/95	UT	HSD	\$ 114,953	\$ 114,953	\$ 114,953	MAD
Department of Health	Coordinate Services for non-Medicaid eligible families	JPA 96 32	07/01/94	UT	HSD	\$ 2,088,819	\$ 500,000	\$ 500,000	MAD
Department of Health	Nurse Aide Training	JPA 96 22	02/08/96	UT	HSD	\$ 1,695,901	\$ 1,005,323	\$ 1,005,323	MAD
Department of Health	Pre-Admission Screening and Annual Resident Review	GSA 11-630-8000-0013	07/01/10	UT	HSD	\$ 429,092	\$ 367,500	\$ 367,500	MAD
Department of Health	SBHC	GSA 12-630-8000-0007	07/01/11	06/30/15	HSD	\$ 6,273,668	\$ 998,442	\$ 998,442	MAD
Department of Health	Home & Community Based Waiver Program	JPA 11-630-8000-0003 A2	07/01/10	06/30/14	HSD	\$ 45,700,000	\$ 6,625,798	\$ 6,625,798	MAD
Department of Health	Maternal Child Health Initiatives	GSA 10-630-8000-0009 A1	7/1/2010	06/30/14	HSD	\$ 560,000	\$ 200,000	\$ 200,000	MAD
Disability Developmental Planning Council	Administrative Claiming to Pay a Federal Match	GSA 11-630-8000-0016 A3	7/1/2010	06/30/14	HSD	\$ 1,600,000	\$ 433,144	\$ 433,144	MAD
Disability Developmental Planning Council	Match Admin Costs for BabyNet	GSA 09-630-8000-0095 A1	7/1/2009	06/30/17	HSD	\$ 600,000	\$ 75,000	\$ 75,000	MAD
Maryland, State of	Medicaid MGD Care, Pharmacy & SCI Program	A3	03/17/08	06/30/14	HSD	\$ 4,566,338	\$ 71,405	\$ 71,405	MAD
Education	Envision	GSA-14-630-8000-0008 A1	07/01/13	06/30/17	HSD	\$ 4,400,000	\$ 675,080	\$ 675,080	MAD
University of New Mexico	Envision CHIPRA Grant	GSA 11-630-8000-0007 A2	07/01/10	06/30/15	HSD	\$ 1,693,556	\$ 410,195	\$ 410,195	MAD
Training	Provider Trainings	GSA 12-630-8000-0006 A1	07/01/11	06/30/14	HSD	\$ 4,000,000	\$ 518,723	\$ 518,723	MAD
Alamogordo Public Schools	School Based Medicaid Services	GSA 13-630-8000-0100	07/01/12	06/30/16	HSD	\$ 663,457	\$ 170,000	\$ 170,000	MAD
Albuquerque Public Schools	School Based Medicaid Services	GSA 13-630-8000-0101	07/01/12	06/30/16	HSD	\$ 6,445,631	\$ 1,614,522	\$ 1,614,522	MAD
Artesia Public Schools	School Based Medicaid Services	GSA 13-630-8000-0102	07/01/12	06/30/16	HSD	\$ 329,729	\$ 55,600	\$ 55,600	MAD
Aztec Municipal School	School Based Medicaid Services	GSA 13-630-8000-0103	07/01/12	06/30/16	HSD	\$ 370,945	\$ 101,800	\$ 101,800	MAD
Belen Consolidated	School Based Medicaid Services	GSA 13-630-8000-0104	07/01/12	06/30/16	HSD	\$ 520,593	\$ 152,400	\$ 152,400	MAD
Bernalillo Public Schools	School Based Medicaid Services	GSA 13-630-8000-0105	07/01/12	06/30/16	HSD	\$ 1,620,217	\$ 160,080	\$ 160,080	MAD
Bloomfield Schools	School Based Medicaid Services	GSA 13-630-8000-0106	07/01/12	06/30/16	HSD	\$ 354,394	\$ 138,795	\$ 138,795	MAD
Carlsbad Public Schools	School Based Medicaid Services	GSA 13-630-8000-0107	07/01/12	06/30/16	HSD	\$ 659,457	\$ 26,500	\$ 26,500	MAD
Central Consolidated School	School Based Medicaid Services	GSA 13-630-8000-0109	07/01/12	06/30/16	HSD	\$ 1,219,996	\$ 355,920	\$ 355,920	MAD
Central Region Educational Cooperative	School Based Medicaid Services	GSA 13-630-8000-0108	07/01/12	06/30/16	HSD	\$ 590,517	\$ 142,427	\$ 142,427	MAD
Chama Valley Independent	School Based Medicaid Services	GSA 13-630-8000-0139	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD
Clovis Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0110	07/01/12	06/30/16	HSD	\$ 233,324	\$ 98,040	\$ 98,040	MAD
Cobre Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0111	07/01/12	06/30/16	HSD	\$ 420,404	\$ 104,040	\$ 104,040	MAD
Cuba Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0112	07/01/12	06/30/16	HSD	\$ 247,296	\$ 46,200	\$ 46,200	MAD
Dulce Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0140	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD
Espanola Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0113	07/01/12	06/30/16	HSD	\$ 618,241	\$ 183,000	\$ 183,000	MAD
Farmington Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0114	07/01/12	06/30/16	HSD	\$ 824,322	\$ 144,000	\$ 144,000	MAD
Gadsden Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0115	07/01/12	06/30/16	HSD	\$ 2,546,935	\$ 615,908	\$ 615,908	MAD
Gallup McKinley County Schools	School Based Medicaid Services	GSA 13-630-8000-0141	07/01/12	06/30/16	HSD	\$ 120,000	\$ 90,000	\$ 90,000	MAD
Grants/Cibola County School	School Based Medicaid Services	GSA 13-630-8000-0116	07/01/12	06/30/16	HSD	\$ 668,457	\$ 153,790	\$ 153,790	MAD
Jemez Valley Public Schools	School Based Medicaid Services	0	07/01/12	06/30/16	HSD	\$ 659,457	\$ -	\$ -	MAD
Laguna Schools	School Based Medicaid Services	GSA 13-630-8000-0142	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD
Las Cruces Public Schools	School Based Medicaid Services	GSA 13-630-8000-0118	07/01/12	06/30/16	HSD	\$ 2,472,965	\$ 672,000	\$ 672,000	MAD
Las Vegas City Public Schools	School Based Medicaid Services	GSA 13-630-8000-0119	07/01/12	06/30/16	HSD	\$ 453,377	\$ 87,200	\$ 87,200	MAD

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS (CONTINUED)
 Year Ended June 30, 2014

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY14		Expended Amount	Division
			Beginning	Ending			Contract Amount	Expended Amount		
Los Lunas Public Schools	School Based Medicaid Services	GSA 13-630-8000-0120	07/01/12	06/30/16	HSD	\$ 1,442,563	\$ 377,000	\$ 377,000	MAD	
Lovington Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0121	07/01/12	06/30/16	HSD	\$ 432,769	\$ 107,100	\$ 107,100	MAD	
McCurdy Charter School	School Based Medicaid Services	GSA 13-630-8000-0154	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD	
Media Arts Collaborative Charter School	School Based Medicaid Services	GSA 13-630-8000-0143	07/01/12	06/30/16	HSD	\$ 659,457	\$ 30,000	\$ 30,000	MAD	
Mescalero Apache School	School Based Medicaid Services	GSA 13-630-8000-0144	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD	
School	School Based Medicaid Services	GSA 13-630-8000-0153	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD	
Mora Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0145	07/01/12	06/30/16	HSD	\$ 659,457	\$ 30,000	\$ 30,000	MAD	
Moriarty Edgewood Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0122	07/01/12	06/30/16	HSD	\$ 453,377	\$ 71,075	\$ 71,075	MAD	
NM Sch for the Visually Impaired	School Based Medicaid Services	GSA 13-630-8000-0146 A2	07/01/12	06/30/16	HSD	\$ 220,000	\$ 200,000	\$ 200,000	MAD	
Pecos Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0147	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD	
Pecos Valley REC # 8	School Based Medicaid Services	GSA 13-630-8000-0123	07/01/12	06/30/16	HSD	\$ 535,809	\$ 97,600	\$ 97,600	MAD	
Penasco Independent School	School Based Medicaid Services	GSA 13-630-8000-0148	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD	
Pojoaque Valley Schools	School Based Medicaid Services	GSA 13-630-8000-0149	07/01/12	06/30/16	HSD	\$ 120,000	\$ 35,000	\$ 35,000	MAD	
Questa Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0150	07/01/12	06/30/16	HSD	\$ 659,457	\$ 30,000	\$ 30,000	MAD	
Regional Educ. # 6	School Based Medicaid Services	GSA 13-630-8000-0124	07/01/12	06/30/16	HSD	\$ 322,121	\$ 151,500	\$ 151,500	MAD	
Regional Educ. # 7	School Based Medicaid Services	GSA 13-630-8000-0125	07/01/12	06/30/16	HSD	\$ 736,372	\$ 182,235	\$ 182,235	MAD	
Regional Educ. # 9	School Based Medicaid Services	GSA 13-630-8000-0126	07/01/12	06/30/16	HSD	\$ 556,417	\$ 137,700	\$ 137,700	MAD	
Rio Rancho Public Schools	School Based Medicaid Services	GSA 13-630-8000-0128	07/01/12	06/30/16	HSD	\$ 1,103,767	\$ 273,156	\$ 273,156	MAD	
Roswell Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0129	07/01/12	06/30/16	HSD	\$ 942,552	\$ 283,259	\$ 283,259	MAD	
Santa Fe Public Schools	School Based Medicaid Services	GSA 13-630-8000-0130	07/01/12	06/30/16	HSD	\$ 453,377	\$ 62,200	\$ 62,200	MAD	
Santa Rosa Consolidated	School Based Medicaid Services	GSA 13-630-8000-0151	07/01/12	06/30/16	HSD	\$ 120,000	\$ 30,000	\$ 30,000	MAD	
Silver City Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0131	07/01/12	06/30/16	HSD	\$ 453,377	\$ 122,200	\$ 122,200	MAD	
Socorro Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0132	07/01/12	06/30/16	HSD	\$ 267,905	\$ 76,300	\$ 76,300	MAD	
Southwest Regional Educ. Center	School Based Medicaid Services	GSA 13-630-8000-0127	07/01/12	06/30/16	HSD	\$ 1,260,482	\$ 321,000	\$ 321,000	MAD	
Taos Charter School	School Based Medicaid Services	GSA 13-630-8000-0133	07/01/12	06/30/16	HSD	\$ 41,216	\$ 10,200	\$ 10,200	MAD	
Taos Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0134	07/01/12	06/30/16	HSD	\$ 556,417	\$ 137,700	\$ 137,700	MAD	
Tucumcari Public Schools	School Based Medicaid Services	GSA 13-630-8000-0135	07/01/12	06/30/16	HSD	\$ 309,121	\$ 43,500	\$ 43,500	MAD	
Turquoise Trail Charter School	School Based Medicaid Services	GSA 13-630-8000-0136	07/01/12	06/30/16	HSD	\$ 123,648	\$ 20,600	\$ 20,600	MAD	
West Las Vegas Schools	School Based Medicaid Services	GSA 13-630-8000-0137	07/01/12	06/30/16	HSD	\$ 494,593	\$ 72,400	\$ 72,400	MAD	

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
FUND 978 - CHILD SUPPORT ENFORCEMENT
Year Ended June 30, 2014

	June 30, 2013	Additions	Deletions	June 30, 2014
ASSETS				
Interest in the State Treasurer				
General Fund Investment Pool	\$ 661,030	\$ 137,701,720	\$ (137,191,808)	\$ 1,170,942
Other receivables, net	<u>561,529</u>	<u>75,894</u>	<u>(33,801)</u>	<u>603,622</u>
TOTAL ASSETS	<u>\$ 1,222,559</u>	<u>\$ 137,777,614</u>	<u>\$ (137,225,609)</u>	<u>\$ 1,774,564</u>
LIABILITIES				
Deposits held in trust for others	\$ 661,030	\$ 137,701,720	\$ (137,191,808)	\$ 1,170,942
Other liabilities	<u>561,529</u>	<u>42,093</u>	<u>-</u>	<u>603,622</u>
TOTAL ASSETS	<u>\$ 1,222,559</u>	<u>\$ 137,743,813</u>	<u>\$ (137,191,808)</u>	<u>\$ 1,774,564</u>

SINGLE AUDIT

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
Department of Agriculture (USDA) Direct Programs			
Commodities Assurance (SAE)	10.560	12-35-3501	\$ 528,879
Emergency Food Assistance Program (Food Commodities)	10.569	None	14,139,660
Emergency Food Assistance Program (Administrative Costs)	10.568	XNM810813	<u>527,659</u>
Subtotal Food and Nutrition Services			<u>15,196,198</u>
Supplemental Nutritional Assistance Program (SNAP):			
Administration and SAVE	10.561	12-35-3501	29,137,880
SNAP Employment/Training Grant	10.561	12-35-3501	599,604
SNAP State Exchange	10.561	12-35-3501	21,639
SNAP & EBT Distribution	10.551	58-3189-8-104	<u>635,985,464</u>
Subtotal SNAP			<u>665,744,587</u>
Total USDA			<u>680,940,785</u>
Department of Health and Human Services (DHHS)			
Administration for Children and Families Direct Programs:			
Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	26,998,526
Temporary Assistance for Needy Families (TANF)	93.558	G-XX-04-NM-TANF	95,611,211
Low Income Energy Assistance Program (Title XXVI)	93.568	G-XX-B1-NM-LIEA	<u>10,738,558</u>
Total Administration for Children and Families Direct Program			<u>133,348,295</u>
Family Support Administration Pass-Through Programs - Community Service Block Grant	93.569	01-XX-B1-NM-COSR	<u>3,206,268</u>
Administration for Children, Youth and Families Direct Programs:			
Direct Programs - Refugee Resettlement Program (CMA)	93.566	G-XX-04-NM-6100	783,427
Refugee Targeted Assistance	93.576	90RT0153/01	<u>399,381</u>
Total Administration for Children Youth and Families Direct Programs			<u>1,182,808</u>
Centers for Medicare & Medicaid Services:			
Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	2,941,442,822
Administration and Training Title XIX	93.778	05-XX-05-NM-5048	119,980,380
Health Information Technology Incentive Payments	93.778	05-1305NMINCT	13,593,113
Children's Health Insurance Program (CHIP)	93.767	05-XX-05-NM-5021	70,352,652
Children's Health Insurance Program (from Colorado)	93.767	1Z0C30482/01	1,198,403
Children's Health Insurance Program Bonus	93.767	1Z0C30482/01	3,009,413
Adult Medicaid Quality	93.609	1F1CMS331121-01-00	<u>1,281,454</u>
Total Centers for Medicare & Medicaid Services			<u>3,150,858,237</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2014

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
Office of Health Care Finance Administration			
Title XIX Certification	93.777	05-XX-055-NM-5001	<u>1,287,682</u>
State Planning & Establishment	93.525	1HBEIE100014	<u>9,771,640</u>
Substance Abuse and Mental Health Services Administration			
Center for Mental Health Services (CMHS):			
Community Mental Health Services Block Grant	93.958	2B09SM010037-11S4	2,155,866
Programs for Assistance in Transition from Homelessness	93.150	2X06SM060032-11	286,127
Veteran's First Jail Diversion Project	93.243	5H79SM059276-03	607,437
Mental Health Transformation Supportive Housing Program	93.243	5H79SM060122-04	<u>354,998</u>
Subtotal Mental Health Services			<u>3,404,428</u>
Center for Substance Abuse Treatment (CSAT)			
Substance Abuse Prevention and Treatment	93.959	2B08T1010037-11S2	8,254,610
Access to Recovery	93.275	1H79T1023130-02	3,825,572
Crossroads: Supporting Families	93.243	1H79TI023678-01	508,168
State Epidemiological Outcomes Workgroups (SEOWs)	93.243	1U79SP019429-01	1,134,653
Screening , Brief Intervention and Referral for Treatment	93.243	1U79TI025087-01	<u>1,499,633</u>
Subtotal Substance Abuse Treatment			<u>15,222,636</u>
Food & Drug Administration - Center for Tobacco Products	93.XXX	HHSF223201110167C	<u>149,072</u>
Total DHHS			<u>3,318,431,066</u>
National Institutes of Health (NIH)			
National Drug Institute on Drug Abuse (NIDA)			
Building System Capacity	93.279	1R34DA060651-01A1	<u>166,100</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 3,999,537,951</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of New Mexico Human Services Department and is presented on an accrual basis, including all non-cash federal assistance in the form of food commodities amounting to \$14,139,660. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*.

Subrecipients

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

<u>Program/Subrecipient</u>	<u>Total Paid</u>
Food Stamp Program (CFDA #10.561)	
New Mexico State University	\$ 988,283
SL Start and Associates, LLC	685,670
Cooking with Kids, Inc.	451,165
University of New Mexico	405,256
Kids Cook	401,532
Las Cruces Public Schools	<u>184,573</u>
Total Food Stamp Program	<u>3,116,479</u>
The Emergency Food Assistance Program (CFDA #10.569)	
Roadrunner Food Bank	320,016
Food Depot	57,140
The Community Pantry	32,300
Economic Council Helping Others	31,947
Food Bank of Eastern New Mexico	<u>18,597</u>
Total Emergency Food Assistance Program	<u>460,000</u>
Medicaid (CFDA #93.778)	
Aging and Long Term Services	600,000
Alamogordo Public Schools	131,586
Albuquerque Public Schools	1,536,193
Artesia Public Schools	46,320
Aztec Municipal School District	82,178
Belen Consolidated Schools	140,360
Bernalillo Public Schools	147,842
Bloomfield Schools	132,708
Carlsbad Municipal Schools	49,261
Central Consolidated Schools	243,111
Central Region Educational Cooperative	182,894
Children, Youth and Families Department	1,177,624
Clovis Municipal Schools	103,808
Cobre Consolidated Schools	73,127
Cuba Independent Schools	30,743
Department of Health	8,736,266

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Program/Subrecipient	Total Paid
Medicaid (CFDA #93.778) (continued)	
Espanola Public School District #55	167,732
Farmington Municipal Schools	142,670
Gadsden Independent School District	615,908
Grants/Cibola County Schools	131,732
High Plains Regional Center Coop	126,848
Las Cruces School District #2	659,406
Las Vegas City Schools	78,279
Los Lunas Schools	315,305
Lovington Municipal Schools	79,242
Moriarty Municipal Schools	71,075
Nm Schl For The Blind & Visually Impaired	170,615
Pecos Valley Regional Edu Ctr8	81,385
Pojoaque Valley Schools	28,611
Region Ix Education Coop	111,989
Regional Education Center #6	155,877
Regional Educational Center #7	152,173
Rio Rancho Public Schools	217,953
Roswell Independent School District	293,962
Santa Fe Public Schools	90,905
Silver City Consolidated Schools	103,078
Socorro Consolidated Schools	55,597
Southwest Regional Education Center	298,838
Taos Charter School	3,332
Taos Municipal Schools	111,054
The University Of New Mexico	1,065,071
Tucumcari Public Schools	36,713
Turquoise Trail Charter School	18,376
West Las Vegas School District	45,453
Zuni Public School Dist	43,329
	18,886,528
Total Medicaid	
Title XIX Certification (CFDA #93.778)	
Department of Health	1,601,443
TANF (CFDA #93.558)	
Children, Youth & Families Department	27,277,500
SLStart and Associates	11,630,911
Total TANF	38,908,411
Refugee Resettlement Program SS (CFDA #93.566)	
Lutheran Family Services Rocky Mountains	163,169
Refugee Targeted Assistance (CFDA #93.576)	
Lutheran Family Services Rocky Mountains	236,212

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Program/Subrecipient	Total Paid
Community Services Block Grant (CFDA #93.569)	
Community Action Agency of Southern NM	549,897
Eastern Plains CAA	170,513
Economic Council Helping Others	216,424
HELP-New Mexico, Inc.	1,352,538
Midwest NM Cap	369,960
Southeast NM Comm Action Agency	407,754
Total Community Services Block Grant	3,067,086
Low-Income Home Energy Assistance (CFDA #93.568)	
NM Mortgage Finance Authority	
Total Low-Income Home Energy Assistance	1,368,000
Community Mental Health Services Block Grant (CFDA #93.958)	
Children, Youth & Families Department	354,395
Life Link	374,322
Total Community Mental Health Services Block Grant	728,717
Programs for Assistance in Transition from Homelessness (CFDA #93.150)	
Albuquerque HealthCare for the Homeless	64,390
Life Link	70,524
St. Martin's Center	138,456
Total Programs for Assistance in Transition from Homelessness	273,370
Substance Abuse Prevention and Treatment (CFDA #93.959)	
Department of Health	195,950
University of New Mexico	195,649
Life Link	35,834
Total Substance Abuse Prevention and Treatment	427,433
TOTAL	\$ 69,236,848



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Ms. Sidonie Squier, Cabinet Secretary
New Mexico Human Services Department and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the State of New Mexico Human Services Department (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the Department's Fiduciary Fund and combining and individual funds and related budgetary comparisons of the Department presented as supplementary information, and have issued our report thereon dated December 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2012-002, 2014-002, and 2014-008, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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 questioned costs as items 2013-010, 2014-004, and 2014-009.

Department's Response to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 14, 2014



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

Ms. Sidonie Squier, Cabinet Secretary
New Mexico Human Services Department and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited New Mexico Human Services Department (the Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2014. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-005, 2014-006 and 2014-007. Our opinion on each major federal program is not modified with respect to these matters.

The Department's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-005, 2014-006 and 2014-007, that we consider to be significant deficiencies.

The Department's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 14, 2014

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families Cluster (TANF)
93.525	State Planning and Establishment
93.777/93.778	Medical Assistance Payments, Administration, Training, Outreach and Enrollment, Program Bonus and Title XIX Certification
10.551/10.561	Supplemental Nutrition Assistance Program Cluster
93.959	Substance Abuse Treatment and Rehabilitation

Dollar threshold used to distinguish between type A and type B programs \$11,998,614

Auditee qualified as low-risk auditee? yes no

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section II – Financial Statement Findings

Finding 2012-002 (12-02) Accounts Receivable Reconciliation (Significant Deficiency)

Condition: During test work over accounts receivable, it was discovered that a third party receivable with a balance of \$23,451,345 recorded on the Department's general ledger, SHARE, had not been reconciled to the underlying reports. The aging report from OMNICAID, the Medical Management Information System, a subsidiary system, did not agree to SHARE. The Department has compensated for this discrepancy by recording an allowance for doubtful accounts in the amount of \$21,458,583.

Criteria: DFA's Manual of Model Accounting Practices (MAPs) Volume 1, Chapter 8, Section 3.2 requires monthly reconciliations of all accounts. Individual accounts should be reconciled on a monthly basis. Discrepancies and inconsistencies should be investigated as soon as they are discovered.

Cause: The Department has been unable to pinpoint the specific cause of the discrepancy, leading to an additional allowance for doubtful accounts adjustment in the current year.

Effect: The Department is unable to reconcile the gross amount of this specific source of accounts receivable.

Recommendation: All balances, including subaccounts, should be reconciled to underlying data and support on a monthly basis. If an account is identified that does not reconcile, research on the account should be performed in a timely fashion.

Management's Response: Management agrees. The Department contracted with Myers & Stauffer to assist in analyzing prior year transactions impacting the receivable balance in the Medicaid Fund. The research requires significant effort in extracting data and analyzing programming changes to OMNICAID and SHARE to find a resolution. The CFO is responsible for the analysis and continues to work with Myers & Stauffer into SFY15 to find a resolution.

Finding 2014-002 Project-Level Reconciliations for Accounts Receivable (Significant Deficiency)

Condition: During test work over accounts receivable, we noted that within grants of award, certain project codes utilized by the Department are carrying negative balances. However, when included with other project codes in the same grant or program, the net effect is that the program accounts receivable are carrying debit balances, which are natural balances.

Criteria: Each grant award is set for a specific time period and for a specific dollar amount. Per cash management and period of availability sections of the OMB-A-133 compliance supplement, federal grant revenue and accounts receivable should only be recognized to the extent that funds are available from the specific grant to which the associated expenditures were charged. The Department can reduce the potential for inaccurate reporting by taking a project-level approach to its account reconciliations, especially for federal receivables.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section II – Financial Statement Findings (continued)

Finding 2014-002 Project-Level Reconciliations for Accounts Receivable (Significant Deficiency) (continued)

Cause: The Department does not currently reconcile accounts at the project level.

Effect: The likelihood that inaccurate revenue and receivable reporting is heightened, and within the Department's accounting system, projects are carrying unnatural (negative) balances in receivables.

Recommendation: We recommend that the Department perform monthly reconciliations on accounts receivable at the project level, which will help identify potential financial statement reporting issues before they occur.

Management's Response: Management agrees. In 2015 the Department will reconcile federal accounts receivable at the project-level. The Grants and Accounts Receivable Bureaus will work jointly to reconcile federal accounts receivable balances on a monthly basis and prepare a schedule of balances by fund. The accounts receivable schedule will be submitted as part of the trial balance fund packets and be reviewed and approved by the CFO.

2014-008 Interagency Transactions (Significant Deficiency)

Condition: During the audit, it was identified that the Department is not recording interagency transactions in a consistent manner with other state agencies. As a result of these inconsistencies, a reclassifying entry was required in the amount of \$739,050.

Criteria: MAPs FIN 3.1 establishes policies and procedures for state agencies to follow to ensure accurate recording and reporting of interagency transactions.

Cause: Management oversight, lack of timely communication among state agencies to ensure interagency transactions are being recorded consistently amongst each other and in accordance with generally accepted accounting principles.

Effect: Misstatement to the financial statements, inconsistencies when preparing the State's financial statements.

Auditor's Recommendation: We recommend management continue to be proactive in working with other state agencies with which the Department transacts, to ensure timely and accurate reporting of these transactions. Furthermore, the Department should communicate with the Statewide Financial Reporting and Accounting Bureau regarding any interagency transactions in which the Department is unable to resolve with the agency itself or guidance is needed regarding the appropriate recognition of the transactions.

Management's Response: Management agrees. The Department will work with other agencies to ensure timely and accurate reporting of interagency transactions in 2015. The Department will also communicate with DFA Statewide Financial Reporting and Accounting Bureau to resolve discrepancies with other agencies in these types of transactions.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section III – Federal Award Findings and Questioned Costs

Finding 2014-005 Subaward (FFATA) Reporting Noncompliance (Significant Deficiency)

Federal Program: State Planning and Establishment, 93.525

Federal Agency: Department of Health and Human Services

Questioned Costs: None

Applicable Compliance Requirement: Reporting

Condition: The Department did not report its subaward to the FSRS website, as required by the Federal Funding Accountability and Transparency Act (FFATA).

Criteria: Per the reporting section of the OMB A-133 compliance supplement, first-tier subawards of \$25,000 or more are required to be reported to the federal government.

Cause: The Department did not identify the recipient as a subrecipient of the program, but rather considered it a vendor. However, a closer examination of the responsibilities passed to this particular contractor makes classification as a subrecipient appropriate.

Effect: The Department is out of compliance with FFATA reporting requirements for this particular federal program.

Recommendation: We recommend that for future contractual agreements where there could exist some dispute as to the recipient's classification as a subaward recipient or a vendor, management review OMB A-133 guidance on making such a determination.

Management's Response: Management agrees. The Department will review agreements to ensure sub-recipients are classified as such, and included in the FFATA reporting.

Finding 2014-006 Non-cooperation with Child Support Enforcement Division (Significant Deficiency and Instance of Non-Compliance)

Federal Program: Temporary Assistance for Needy Families (TANF), 93.558

Federal Agency: Department of Health and Human Services

Questioned Costs: \$3,062

Applicable Compliance Requirement: Special Tests and Provisions

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2014-006 Non-cooperation with Child Support Enforcement Division (Significant Deficiency and Instance of Non-Compliance) (continued)

Condition: Out of the 40 individuals tested for compliance with the Child Support Enforcement Division's sanction requirements, 13 did not have the appropriate level of sanctions applied to their benefits, resulting in \$3,062 of known questioned costs.

Criteria: Per the OMB A-133 compliance supplement for this program, if state agencies determine that an individual is not cooperating with the State in regards to child support orders, that individual must receive progressive levels of sanctions, up to and including refusal of benefits.

Cause: It was determined that for a period of five months during fiscal year 2014, there was an error in the interface between the newly-implemented eligibility system and the Child Support Enforcement system.

Effect: The Department was unable to properly apply the sanctions, resulting in known amounts of questioned costs of \$3,062.

Recommendation: We recommend that the Department perform a comprehensive review of the potentially affected individuals, and sanction future benefits if applicable. Also, the Department should consider a complimentary control process, such as a monthly reconciliation between systems, that could identify these types of issues more timely.

Management's Response: ISD will review cases that were potentially affected during the 5 month time frame and conduct case reviews to identify cases where non-compliance occurred and if so, the appropriate due process will be reviewed and when appropriate, the correct level of progressive sanction will be applied ongoing. Action on the individualized reviews will be dependent upon the notice of rights the client has received for any historical sanction.

ISD implemented two exception processes for the Child Support interface received by ASPEN. The interface error was a one-time event and has not re-occurred.

- 1) **Technical exceptions:** The inbound interface file from the CSES system contains a trailer that summarizes the quantity of records, and this number is validated by ASPEN upon receipt. If there is a discrepancy the entire file will be held until the ASPEN and CSES teams can reconcile the discrepancy and the file ran at that time. This should not take longer than few days.
- 2) **Business exceptions:** In some instances cases on the inbound file were not able to be processed with a sanction because the case in question is in an update mode per worker action. These exceptions display on a daily exception report accessible in ASPEN and worked by workers. Once this case action is resolved the sanction will be applied. The exception report is monitored daily for potential action, and acts as the reconciliation process recommended.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Section III – Federal Award Findings and Questioned Costs (continued)

**Finding 2014-007 Independent Peer Reviews for Substance Abuse Treatment Facilities
(Significant Deficiency and Instance of Non-Compliance)**

Federal Program: Substance Abuse Treatment and Rehabilitation, 93.959

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Special Tests and Provisions

Questioned Costs: None

Condition: The Department is not ensuring that independent peer reviews are being performed on treatment services funded through this program.

Criteria: Per the OMB A-133 compliance supplement for this program, the Department is required to provide for independent peer reviews for at least five percent of the entities providing services in the State of New Mexico. These reviews should include an assessment of the quality, appropriateness, and efficacy of treatment services provided to individuals.

Cause: The Department does not have the control processes in place to ensure that the peer reviews are occurring as required.

Effect: The Department is out of compliance with the requirements set forth by OMB A-133 in regards to independent peer reviews.

Recommendation: We recommend that the Department emphasize the importance of the peer reviews to all associated staff and management.

Management's Response: Management agrees with the finding. The Department will comply with the requirement of peer reviews for the Substance Abuse grant in State Fiscal Year 2015 and will include the reviews as part of the strategic plan.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section IV. Other Findings

Finding 2013-010 Noncompliance with Contractual Requirements for Reimbursements to Behavioral Health Providers (Other Matter)

Condition: During testwork over invoices approved relating to reimbursement-based professional services contracts, we noted that certain costs were approved by the Department but included inappropriate costs that violated the PSC contracts. These included the following:

- Reimbursements for invoices for services provided in SFY2013 that were received more than 15 days after the end of the fiscal year (contract stipulation), totaling \$412,747.
- Payments that include prepayments for estimates or projections rather than reimbursement, totaling \$187,896.
- Reimbursement for purchases of tangible personal property over \$10,000 that was not approved prior by HSD, totaling \$19,740. Additionally, this property was not tracked by the Department according to the terms of the contract. The whereabouts of the property are unknown.
- The Department could not locate support for payments in the amount of \$550,697 made to one behavioral health provider. However, payments were not made in excess of the contractual amounts.

Criteria: The various Professional Service Contracts between HSD and certain behavioral health providers include specific language pertaining to when invoices were to be received, that the reimbursements had to be based on actual costs incurred, and that purchases of tangible personal property in excess of \$10,000 required pre-approval from the Department. Additionally, the terms of the contracts stated that tangible personal property purchased with funds from the agreements shall become the property of HSD upon termination.

Cause: The review process for these professional services contracts failed to detect the inappropriate costs reimbursed to the contractor. The Department failed to track the assets subsequent to purchase, and did not retain adequate documentation to support the allowability of the expenditures.

Effect: A total of \$620,383 was reimbursed to contractors without proper approval or in advance of actual expenditures, and another \$550,697 in payments to one provider lacked supporting documentation. Additionally, personal property purchased by the Department cannot currently be accounted for.

Recommendation: We recommend that for future reimbursement-based contracts, only invoices received during the allowable timeframe and for which pre-approval has been granted for costs that exceed contractual thresholds are approved for payment. We also recommend that the Department ensure that costs have been incurred by the contractor prior to reimbursement, and that items of tangible personal property are tracked according to the terms of contracts. Lastly, supporting documentation should be retained for all payments, even if such payments are contractually obligated.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section IV. Other Findings (continued)

Finding 2013-010 Noncompliance with Contractual Requirements for Reimbursements to Behavioral Health Providers (Other Matter) (continued)

Management's Response: Management disagrees. Each of the transitional behavioral health service provider contracts at issue was entered into pursuant to NMSA Section 13-1-127, the "Emergency Procurement" provision of the New Mexico Procurement Code, for which procurement HSD obtained the prior written consent of Ricky Bejarano, Deputy Cabinet Secretary of the New Mexico Department of Finance and Administration. Given the threat to public health, safety and welfare that arose by occasion of HSD's mandatory application of federal regulations under the Patient Protection and Affordable Care Act and the resulting closure of several existing behavioral health providers, the new behavioral health providers commenced providing services at the very end of SFY 2013, at a time when the clear priority was not to enforce a provision of convenience to the State under their contracts, i.e., to assure that all invoices were provided within 15 days of the end of the fiscal year, but rather to have those contractors provide dire services to New Mexico's vulnerable behavioral health recipients under the most trying circumstances. While HSD routinely enforces the 15 day requirement against contractors, it is the agency's contention that a waiver of the requirement was – and is – appropriate in the face of a threat to public health, safety and welfare.

With regards to the IT purchase, during the early part of the transition, each transition agency had daily calls with HSD and OptumHealth staff. HSD recognized that it was necessary for these transitional providers to purchase certain IT equipment in order to begin operations, as the IT equipment used by the former behavioral health providers, e.g., electronic medical records, desktop computers, laptops, etc., were all part of a criminal investigation and was not be used until such time (in some cases, weeks after transition) that the Attorney General's office could fully copy the information that was found in the former providers' IT systems. HSD determined that all of the equipment purchased by the transitional providers was reasonable and appropriate.

In certain situations, payroll for New Mexico employees of the behavioral health providers had to be advanced – first to the existing provider and then to the transitional provider - in order to meet payroll obligations to continue to provide essential services. In ALL payroll situations, HSD coordinated the transfer of funds, i.e., providing banking information, so that employees could be paid on time. These employees consisted of: (1) clinical staff, i.e., those individuals that provided direct services to eligible consumers; and (2) admin staff, i.e., those individuals that were needed to schedule appointments, create new files, etc. Expressly excluded from these payrolls advances were the salaries of supervisory staff of both the existing and transition providers.

Due to the emergent nature of the situation and HSD's federal obligations to continue services and protect the integrity of Medicaid and non-Medicaid funding, certain measures had to be taken; however, no expenditures were made without HSD's knowledge and consent.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section IV. Other Findings (continued)

Finding 2013-010 Noncompliance with Contractual Requirements for Reimbursements to Behavioral Health Providers (Other Matter) (continued)

The Department has CFO directives and policies to control fixed assets and the use of these assets by contractors. The Department neglected to have the provider return the property at the end of the contract term, but will follow up with the contractor on the items in question. The Department will be diligent in adhering to contract terms and directives and policies that help maintain internal control.

The Department does have the supporting documentation for the payment of \$550,697 to the provider, it is reimbursement for payroll and travel expenses. The documentation did not have detail documentation requested by the IPA. The Department will ensure that staff comply with CFO directives and policies to ensure costs are allowable prior to processing payments.

Auditors' Response: CLA acknowledges the Department's response and the emergent nature of the situation. However, the issues identified are indicative of control deficiencies, and therefore we stand by our findings.

Finding 2014-004 Noncompliance with Notification Requirements for Disposals of Capital Assets (Compliance and Other Matters)

Condition: During June of 2014, the Department disposed of a certain capital asset prior to submitting the required notification to the Office of the State Auditor of New Mexico.

Criteria: Section 13-6-1 NMSA 1978 requires state agencies to give notification at least thirty days prior to its physical disposal of a capitalized asset. Such notification must include the proposed method of disposition for the property.

Cause: The Department disposed of the asset without the required pre-notification.

Effect: The Department is out of compliance with Section 13-6-1 NMSA 1978.

Recommendation: We recommend that in the future, the Department submit the required notice thirty days prior to physical disposal of assets.

Management's Response: The HSD GSB follows Section 13-6-1 NMSA 1978 for the disposal of Capital Assets and is aware of the circumstances of this noncompliance. The required notice thirty days prior to physical disposal was sent to the State Auditor with the anticipation that the thirty day period would pass prior to the vendor disposing of the item. In this case the vendor disposed of the item immediately, prior to the thirty day period passing. The GSB continues to follow Section 13-6-1 NMSA 1978 for the disposal of Capital Assets and will re-double its communication to vendors to take no disposal action until the thirty day wait period has passed prior to its physical disposal.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section IV. Other Findings (continued)

2014-009 Over-Expenditure of Program Budget (Other Matter)

Condition: For the Department's Medicaid Behavioral Health Program P766, actual expenditures exceeded budget by \$2,938,097.

Criteria: Per NMAC 2.2.2.10 (O)(1)(a), if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact must be reported in a finding.

Cause: The Department did not submit the appropriate budget adjustment request to account for the additional expenditures.

Effect: The Department incurred expenditures in excess of its budget in the amount of \$2,938,097.

Recommendation: We recommend that the Department ensure that the appropriate budget adjustment request process is followed when expenditures are incurred in excess of the established budget.

Management's Response: The Department is in agreement with this finding. The Department prepared yearend Budget Adjustments based on the latest Medicaid Program projections at the time dated May 5, 2014. The May 5 projections had not yet incorporated the upward adjustment to Behavioral Health rates effective January 1, 2014. Also during this timeframe, the Medicaid Program was experiencing a significant caseload increase in Newly Eligible Medicaid Clients due to Medicaid Expansion as well as caseload increases for clients already eligible for Medicaid due to the woodwork effect. These factors were not contemplated when the final budget was established, resulting in an over-expenditure in P766. Although such significant changes are not typical in the program near year-end, to avoid this situation again budget staff from ASD and Medicaid staff will redouble efforts to ensure that all programmatic changes are reflected in the final Medicaid projection for the fiscal year to assure the sufficient budget will be established to meet the projected expenditure level.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014**

Section II – Financial Statement Findings

Finding 2012-002 Accounts Receivable Reconciliation (Significant Deficiency) – Repeated

In 2013, the Department reviewed prior year balances of the federal accounts receivable and found a \$60M balance from prior years that had not been addressed when the other corrections were made in 2010 and 2012. Accordingly, in 2013, Fund Balance of the Medicaid Fund was restated to reflect the \$60,212,204 uncollectible federal receivable related to years prior to 2013.

Finding 2013-001 Prior Years Federal Accounts Receivable Reconciliation (Material Weakness) – Resolved

In 2013, the Department reviewed prior year balances of the federal accounts receivable and found a \$60M balance from prior years that had not been addressed when the other corrections were made in 2010 and 2012. Accordingly, in 2013, Fund Balance of the Medicaid Fund was restated to reflect the \$60,212,204 uncollectible federal receivable related to years prior to 2013.

Finding 2013-002 Oversight in Contract Management Process (Material Weakness, Could Result in Non-compliance) - Resolved

During fiscal year 2013, it was identified that approximately \$36 million in payments to behavioral health service providers were likely questioned costs, based on an audit performed by a third party. The identified issue spanned fiscal years 2010 through 2012 and involved fifteen behavioral health providers contracted with the Department to provide services. The Department has contractual agreements in place with another third party, and the agreements include but are not limited to the monitoring of payments made to behavioral health service providers. The significance of the dollar amount involved and the qualitative nature of the issues identified by the third party audit indicate a lack of oversight in the contract management process.

Section III – Federal Award Findings and Questioned Costs

Finding 2013-001 Prior Years Federal Accounts Receivable Reconciliation (Material Weakness) - Resolved

Federal Program: Medicaid Cluster, 93.777 / 93.778

In 2013, the Department reviewed prior year balances of the federal accounts receivable and found a \$60M balance from prior years that had not been addressed when the other corrections were made in 2010 and 2012. Accordingly, in 2013, Fund Balance of the Medicaid Fund was restated to reflect the \$60,212,204 uncollectible federal receivable related to years prior to 2013.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2013-002 Oversight in Contract Management Process (Material Weakness, Could Result in Non-compliance) - Resolved

Federal Program: Medicaid Cluster, 93.777 / 93.778

During fiscal year 2013, it was identified that approximately \$36 million in payments to behavioral health service providers were likely questioned costs, based on an audit performed by a third party. The identified issue spanned fiscal years 2010 through 2012 and involved fifteen behavioral health providers contracted with the Department to provide services. The Department has contractual agreements in place with another third party, and the agreements include but are not limited to the monitoring of payments made to behavioral health service providers. The significance of the dollar amount involved and the qualitative nature of the issues identified by the third party audit indicate a lack of oversight in the contract management process.

Finding 2013-003 Non-compliance with FFATA Reporting Requirements (Significant Deficiency, Instance of Non-compliance) - Resolved

Federal Program: Substance Abuse Prevention and Treatment, 93.959
Medicaid Cluster, 93.777/93.778
SNAP, 10.551/10.561

New subaward contracts or contract modifications were not reported under Federal Funding Accountability and Transparency Act (FFATA) requirements. For the Substance Abuse Prevention and Treatment Program, the Department did not submit any FFATA reports for FY13 subawards.

2013-004 Noncompliance with Matching Requirements (Significant Deficiency, Instance of Non-compliance) - Resolved

Federal Program: SNAP, 10.551/10.561

During our testwork over matching for the Supplemental Nutrition Assistance Program, we noted that one out of the 40 draw-downs tested included an inappropriate Federal Financial Participation (FFP) rate. The FFP rate applied to grant HSDSNAP13041 was 100%, while the appropriate FFP rate for that grant is 50%.

2013-005 Noncompliance with Reporting Requirements (Significant Deficiency, Instance of Non-compliance) - Resolved

Federal Program: SNAP, 10.551/10.561

For one out of the two FNS 209 reports tested, supporting documentation did not agree with the reported amount. The difference between the amount reported and the underlying Department information was \$1,518.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014**

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2013-006 Procedures for Investigating Allegations of Fraud (Significant Deficiency, Instance of Non-compliance) - Resolved

Federal Program: Medicaid Cluster, 93.777/9.778

As part of our single audit, we tested forty referral cases, noting that for three of the forty referral cases, HSD did not follow their internal processes related to investigating and referring cases to the Medicaid Fraud Control Unit of the New Mexico Office of the Attorney General (MFCU). Additionally, during the course of our audit, it came to our attention that for an additional twelve referrals made to the MFCU, the Department's written procedures for receiving, evaluating, concluding or referring allegations of fraud were not followed by HSD.

Finding 2013-007 Significant Deficiency in Controls Surrounding Eligibility Documentation (Instance of Non-compliance) - Resolved

During our testwork over eligibility, we noted five clients out of 40 tested whose applications or recertifications were not signed by ISD staff at the field offices. The signature of the ISD staff documenting receipt, review, and database entering is considered a key control to prevent potentially misstated information from being entered into the Department's databases.

Finding 2013-008 Invoice Approval Process for Contracts (Instance of Non-Compliance) - Resolved

Federal Program: Medicaid Cluster, 93.777/93.778

During testwork over invoices approved relating to a reimbursement-based professional services contract, we noted that \$6,940 in costs were approved by the Department but included inappropriate costs paid with federal awards money.

Section IV. Other Findings

Finding 2013-009 Late Audit Report Submission (Other Matter) - Resolved

The Department's audited financial statements were not submitted to the New Mexico State Auditor until February 14, 2014.

Finding 2013-010 Noncompliance with Contractual Requirements for Reimbursements to Behavioral Health Providers (Other Matter) – Repeated and Modified

Condition: During testwork over invoices approved relating to reimbursement-based professional services contracts, we noted that \$620,383 in costs were approved by the Department but included inappropriate costs that violated the PSC contracts.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
EXIT CONFERENCE
June 30, 2014**

An exit conference was held with the Department on December 11, 2014. The conference was held at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT

Brent Earnest, Secretary-Designate
Sean Pearson, Acting Deputy Secretary
Danny Sandoval, ASD Director, Administrative Services
Marilyn Martinez, Acting Director HSD/ISD
Wayne Lindstrom, Director, BHSD
Steven Smith, Director, CSED
Johnna Padilla, Director, Human Resources
Donna Sandoval, ASD Deputy Director, Administrative Services
Carolee Graham, ASD Deputy Director, Administrative Services
Betina McCracken, Deputy Director, CSED
Jeanette Lujan, ASD Accounting Bureau Chief
Lucinda Sydow, MAD/Budget, Planning, and Reporting Bureau Chief
Martin Ortega, ASD/CFSB Bureau Chief
Gary Chavez, ASD/CMPB Bureau Chief
Ellen Costilla, HSD/MAD Healthcare Operations Manager
Laura Galindo, HSD/ISD Deputy Director of Field Operations
Frank Sherman, OIG
Sean Pearson, ITD
Christopher Collins, OGC – General Counsel

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal
Janet Pacheco-Morton, CPA, CGFM, Audit Principal
Ryan Jones, CPA, Engagement Director
Andres Gamez, CPA, Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.