

**STATE OF NEW  
MEXICO  
HUMAN SERVICES  
DEPARTMENT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

Moss Adams LLP  
6100 Uptown Blvd NE Suite 400  
Albuquerque, New Mexico  
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**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
OFFICIAL ROSTER**

**June 30, 2009**

Name	Title
Pamela S. Hyde, JD	Cabinet Secretary
Daryl Schwebach, MPA	Deputy Secretary, Finance & Administration
Katie Falls	Deputy Secretary, Programs
Paul Ritzma	General Counsel
Elaine Olah, MBA	Director, Administrative Services
Danny Sandoval	Deputy Director, Administrative Services
Donna Sandoval, MBA	Deputy Director, Administrative Services
Robert Romero, CPA	Deputy Director, Administrative Services
Helen Nelson	Acting Director, Income Support
Ted Roth	Deputy Director, Income Support
Charissa Saavedra	Director, Child Support Enforcement
Kathleen Valdes	Deputy Director, Child Support Enforcement
Stephen Klump	Deputy Director, Child Support Enforcement
Carolyn Ingram	Director, Medical Assistance
Julie Weinberg	Deputy Director, Medical Assistance
Larry Heyeck	Deputy Director, Medical Assistance
Bob Beardsley	Deputy Director, Medical Assistance
Linda Roebuck	Director Behavioral Health Services
Harrison Kinney	Deputy Director Behavioral Health Services
Terri Gomez	Chief Information Officer
Eluid Martinez	Deputy Director, Information Technology Division
Kristina Lawson	Deputy Director, Information Technology Division
Brian Pietrewicz	Deputy Director, Information Technology Division
Randy Scott	Inspector General

## Independent Auditors' Report

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
and  
Mr. Hector H. Balderas,  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparison for each major governmental fund of the New Mexico Human Services Department (Department) as of and for the year ended June 30, 2009 which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the fiduciary fund as of June 30, 2009 and the budgetary comparison schedules presented as required supplemental information for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the New Mexico Department of Human Services are intended to present the financial position, and the changes in financial position and, where applicable, cash flows, of only that portion of the governmental activities, business-type activities, major funds, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not

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purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, and the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 of the Department as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity 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 fiduciary fund of the Department as of June 30, 2009, in conformity with accounting principles generally accepted in the United States of America. Finally, in our opinion, the budget comparison schedules referred to above present fairly in all material respects, the budget comparison for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
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New Mexico State Auditor  
Santa Fe, New Mexico

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. In addition, the schedule of cash balances, the schedule of joint powers agreements, and the schedule of changes in assets and liabilities for agency fund are presented for purposes of additional analysis and are not a required part of the financial statements referred to above. These schedules have been subjected to the auditing procedures applied by us in the audit of the financial statements referred to above and, in our opinion, such information is fairly presented, in all material respects, in relation to the financial statements referred to above taken as a whole.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 9, 2009

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

**A. 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, 2009. It should be read together with the financial statements, which follow it.

**B. FINANCIAL STATEMENTS EXPLAINED**

The Department's Basic Financial Statements (BFS) are presented in four parts, in the following order:

1. Department-Wide Financial Statements,
2. Fund Financial Statements,
3. Budgetary Comparison Statements, and
4. Notes to the Basic Financial Statements.

**Department-Wide Financial Statements**

The department-wide financial statements include the first two financial statements, the *Statement of Net Assets (Deficit)* 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 state and federal grants.

The *Department-Wide Statement of Net Assets (Deficit)* reports the assets of the Department and the corresponding claims and liabilities against those assets at June 30, 2009. The difference between the value of the assets and the liabilities is reflected as the value of the net assets. Increases or decreases in net assets 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 assets during the 2009 fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

**B. FINANCIAL STATEMENTS EXPLAINED (CONTINUED)**

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 (CMS) program administered by the U.S. Department of Health and Human Services. The behavioral health services programs are funded by 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 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. 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 (page 24) 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 Net Assets (page 22). The resources of this fund are excluded from the Department Wide Financial Statements because they cannot be used to finance the Department's operations.

**STATE OF NEW MEXICO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**B. FINANCIAL STATEMENTS EXPLAINED (CONTINUED)**

**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.

**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.

**C. SUPPLEMENTAL INFORMATION**

Included as required supplemental information are the budgetary comparisons. 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.

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.

**D. ANALYSIS OF THE DEPARTMENT'S FINANCES AS A WHOLE**

The Department reports in compliance with GASB 34, and we are pleased to provide comparative financial information for fiscal years 2007 through 2009. Management has not attempted to recast this information, except as adjusted in preparation of the fiscal year 2009 financial statements and information.



STATE OF NEW MEXICO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
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D. ANALYSIS OF THE DEPARTMENT'S FINANCES AS A WHOLE  
(CONTINUED)

Net Assets and Changes in Net Assets

Table 1 summarizes the net assets in Governmental of the Department for the fiscal year ended June 30, 2009, with comparative balances for the fiscal years ended June 30, 2008 and June 30, 2007.

Table 1 - Net Assets

	2009	2008	2007	2008 to 2009	
	Governmental Activities	Governmental Activities	Governmental Activities	Increase/ (Decrease)	% Change
<b>Assets:</b>					
Current assets	\$ 498,813,821	607,960,821	563,243,623	(109,147,000)	-18%
Non-current assets	4,208,003	4,870,350	3,584,574	(662,347)	-14%
Total assets	503,021,824	612,831,171	566,828,197	(109,809,347)	-18%
<b>Liabilities:</b>					
Current liabilities	490,769,931	604,278,147	559,291,842	(114,061,240)	-19%
Long-term liabilities	-	-	-	-	-
Total liabilities	490,769,931	604,278,147	559,291,842	(114,061,240)	-19%
<b>Net Assets:</b>					
Invested in capital assets - net of related debt	4,208,003	4,870,350	3,584,574	(662,347)	-14%
Restricted for Grant Programs	12,438,493	7,819,651	7,653,123	4,618,842	59%
Unrestricted	(4,394,603)	(4,136,977)	(3,701,342)	257,626	-6%
Total Net Assets (deficit)	\$ 12,251,893	8,553,024	7,536,355	3,698,869	43%

The Department's net investment in capital assets totaled \$4,208,003 at June 30, 2009. Amounts reflected in this category are not available to fund future spending. The Department uses these assets to provide services. The increase in the Department's capital assets is discussed below under the heading G. *Capital Assets and Debt Management*.

Net Assets increased by 43% to a net asset balance of \$12,251,893. Growth is attributed to recognition of revenue associated with growth of the Medical Assistance Program and the Financial Assistance Program, Supplemental Nutrition Assistance Program (SNAP) and to the increase in funds reserved for grant programs. The Department did not include in its 2009 Budget the amount needed to pay the liabilities pertaining to future compensated employee vacation, sick, and compensatory leave.

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D. ANALYSIS OF THE DEPARTMENT'S FINANCES AS A WHOLE  
(CONTINUED)

Restricted net assets represent resources that are subject to both state and federal restrictions on how they can be spent. The majority of these resources can only be spent on Human Services programs (medical care and financial assistance). In addition, restricted net assets are restricted for expenditure in subsequent years, reflecting state appropriations and federal grants made in the current and prior fiscal years that are to be carried forward for expenditure in fiscal year 2009 and subsequent years.

The detailed changes in net assets are presented in Table 2.

Table 2 - Changes in Net Assets

	2009	2008	2007	2008 to 2009	
	Governmental Activities	Governmental Activities	Governmental Activities	Increase/ (Decrease)	% Change
<b>Revenues</b>					
<i>Program Revenues:</i>					
Charges for Services	\$ 59,863,152	66,405,739	55,934,971	(6,542,587)	-10%
Federal funds	3,356,656,503	2,795,242,001	2,458,678,171	561,414,502	20%
Total Program Revenues	3,416,519,655	2,861,647,740	2,514,613,142	554,871,915	19%
<i>General Revenues &amp; Special Items:</i>					
State Appropriation	887,487,100	835,836,900	698,428,700	51,650,200	6%
Transfer from Other State Agencies	142,370,383	117,178,792	106,772,708	25,191,591	21%
Total Revenues	4,446,377,138	3,814,663,432	3,319,814,550	631,713,706	17%
<b>Expenses:</b>					
Healthcare services	3,484,513,628	3,122,389,005	2,733,129,765	362,124,623	12%
Financial Assistance	491,937,174	365,705,383	341,804,814	126,231,791	35%
General Government	341,464,160	325,033,833	227,318,324	16,430,327	5%
Total Expenses	4,317,914,962	3,813,128,221	3,302,252,903	504,786,741	13%
Increase (Decrease) in Net Assets	3,698,869	1,016,669	6,817,362	2,682,200	264%
Net assets-beginning of year	8,553,024	7,536,355	718,993	1,016,669	13%
Net assets-end of year	12,251,893	8,553,024	7,536,355	3,698,869	43%

Net assets increased by \$3,698,869 a 264% increase from 2008. The change relates to the growth of the Medical Assistance Program and the Financial Assistance Program, Supplemental Nutrition Assistance Program (SNAP). Table 2 reflects a 17% growth in total revenues and a 13% growth in total expenditures in 2009 compared to the growth in 2008 of 15% in both revenues and expenditures. Program expenditures pertaining to the Medical Assistance increased 12% to \$3,484.5 (millions) compared to 14% in 2008 and 7% in 2007.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
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**D. ANALYSIS OF THE DEPARTMENT'S FINANCES AS A WHOLE  
(CONTINUED)**

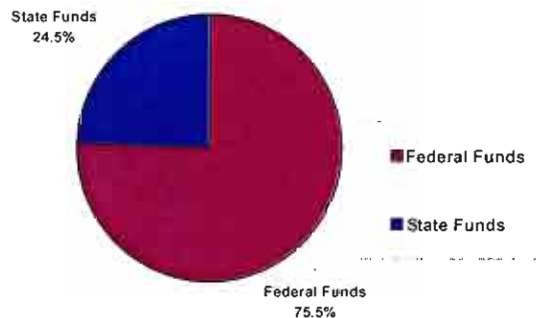
Budget increases to the Medicaid Program were based on the Program's Projection Model and the maximization of the increased federal medical assistance percentage (FMAP) as a result of the Recovery Act of 2009 matched by available Other Revenue. Budget increases to the SNAP were based on increased client eligibility and the change to maximum client benefit amounts as a result of the Recovery Act of 2009.

Expenditures increased in the Financial Assistance Programs by 35% from 2008 for an increase of \$126 million to a total of \$492 million. Financial Assistance programs were increased by LIHEAP and SNAP grant funds.

The Department's net assets are reported in three categories that reflect the equity composition: *Invested in Capital Assets* (net of accumulated depreciation), *Restricted Net Assets*, and *Unrestricted Net Assets*.

**Figure 1**

**Sources of Revenues for Fiscal Year 2009**



The composition of the Department's revenues is shown in Figure 1. As this chart demonstrates, just over seventy-five percent (75.5%) of the Department's revenues came from federal funds, an increase from 73.3% in 2008. The remaining 24.5% matching funds were comprised of State general revenue appropriations, reimbursements from other state agencies, miscellaneous revenues and transfers.

The heavy reliance on federal funding, and the size of the Department's overall budget, subject the Department to significant external oversight of its program and fiscal operations. The detail amounts of grant funded expenditures can be seen in the Schedule of Expenditures of Federal Awards (SEFA) on page 66.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

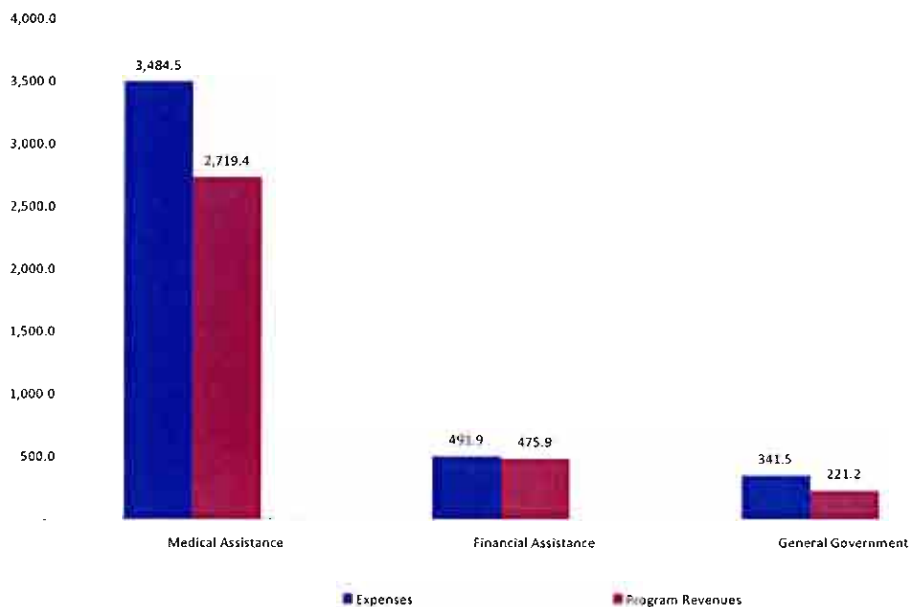
D. ANALYSIS OF THE DEPARTMENT'S FINANCES AS A WHOLE  
(CONTINUED)

Governmental Activities

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.

Costs not covered by program revenues are covered by the sources of general revenues (money provided by the state's tax payers) that primarily include state appropriations and transfers from other state agencies. The Bar Chart in **Figure 2** shows the relationship of governmental direct expenses to program revenues for fiscal year 2009.

Figure 2 - Direct Expenses and Program Revenue  
(in millions)



The total direct costs of all the Department's governmental activities this year were \$4,317,914,962. Of these total costs, 81% were for medical assistance services provided to eligible residents of the state, primarily under the Medicaid program of which 78% was financed by federal grants and charges for services. The remaining 22% was financed with state funds. Most of the state appropriations are committed to match the federal government's share of the costs of the medical assistance program.

**STATE OF NEW MEXICO  
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**D. ANALYSIS OF THE DEPARTMENT'S FINANCES AS A WHOLE  
(CONTINUED)**

A total of \$491,937,174 or 11% of total direct costs pertains to financial assistance provided to eligible residents; 97% of these costs were funded by federal grants and charges for services. The remaining 3% was financed with state funds.

The remaining direct costs are general government costs incurred in the administration of the Medical Assistance, Child Support, Financial Assistance Programs and Behavioral Health Services Programs. These costs increased by \$16,430,327 to \$341,464,160; 65% of these costs were financed by federal grants and charges for services and 35% by state funds.

**E. 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, fund balance, and the reauthorization of computer systems enhancement funds, and the associated certified federal financial participation. The agency also reduced General Fund and associated federal funds as a result of budget solvency reductions authorized by the New Mexico Legislature and the Governor. There were also significant non-recurring increases into a new fund (890) to budget the American Recovery and Reinvestment Act (ARRA) funds appropriated to New Mexico. Other significant budget increases occurred in the Medicaid program budget, and the Temporary Assistance for Needy Families (TANF) program and the Supplemental Nutrition Assistance Program (SNAP) budget resulting from increases in federal funds.

A brief overview of the major initiatives and activities that required budget adjustments are as follows:

- Solvency reductions of \$118,832,388 were processed which was composed of \$35,489,800 from the General Fund and \$83,342,588 from federal funds.
- \$736,763,003 in budget increases were processed in fund 890 attributable to Federal ARRA funds. These amounts are multi year appropriations available to the State FY 09, 10 and 11.

**STATE OF NEW MEXICO  
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**E. GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

**Original Budget Compared to Amended Budget**

- \$7,960,958 was budgeted in fund 901 for computer enhancement projects of which \$4,398,144 were federal funds.

Other significant increases for federal programs not attributable to ARRA were: LIHEAP program increase of \$11,780,099; SNAP benefits increases of \$46,589,358 driven by caseload increases, \$16,586,217 in TANF Contingency funds to be transferred to the Taxation and Revenue Department as a reimbursement to the General Fund for tax rebates made to low income families meeting TANF eligibility requirements; and Medicaid Federal increases not related to ARRA of \$101,386,414.

- Special Session Appropriation was also budgeted in FY09 as follows: \$7,200,000 in TANF Child Care to be transferred to the CYFD. In the Medicaid program two appropriations from the Special Session were modified during the regular session were also budgeted as a multi year appropriation. One of the appropriations was for the Developmental Disability waiver of \$4,000,000 GF and \$15,129,603 in federal funds. The other appropriation was for Children's Behavioral Health for \$1,500,000 in GF and \$5,673,601 in federal funds.

Below are highlights of adjustments.

- Category transfers and increases to address shifts in priorities were prepared in Program Support to: fund costs associated with mainframe usage fees from the Department of Information Technology; and budgeted a supplemental appropriation to address the IT Security Breach of \$1,678,100 - \$653,500 in General Fund and \$1,018,300 in federal funds.
- Information technology appropriations to support the implementation of the ISD2 R, ISD2 YES HIPAA, and EDMS projects. A total of \$7,960,958 (\$4,398,144 in federal funds) for special computer enhancement projects.
- Federal funds were increased in Medical Assistance Administration Budget to fund various grant programs such as Workers with Disabilities Initiative, E - Health and Robert Wood Johnson to leverage the various foundation grants.
- Income Support administration budget was increased by \$750,000 for reimbursements from Public Schools and local entities to the Human Services Department for the cost of storing and transporting food stores for school across the state. In addition, various budget adjustments were made throughout the administrative and program budgets to address operational and service delivery priorities.

**STATE OF NEW MEXICO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**E. GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

**Amended Budget Compared to Actual Expenditures and Revenues**

The amended budget's actual revenues and other financing sources were exceeded by the actual expenditures and other financing uses by \$3,583,060 in fund 052 the General Operating Fund (Total revenue, General Fund and Financing Sources less Total Expenditures, Financing Uses and Reversions), indicating use of reserved fund balance. This is primarily the result of revenue from prior-period federal revenue adjustments recognized in the current period.

Appropriations are made by category of expenditure and funding source for each approved program within the department. The following table identifies the variance in between the amended budget appropriated in Section 4 of the General Appropriations Act for expenditures and other financing uses and the actual expenditures by appropriated unit.

The difference between the final budgeted amount and the original budgeted amount of revenue was caused by the lower than anticipated Random Moment Sampling (RMS) allocation to federal programs. RMS is based on sampling of eligibility workers in the Income Support Field offices and is used to allocate indirect costs to the various federal programs. During the course of the fiscal year, the RMS resulted in a lower than anticipated allocation to federal programs and to program with higher federal financial participation that resulted in a lower than anticipated federal revenue reimbursement for indirect costs associated with Program Support and Income Support Division (ISD) Administration. Variance in the Department's Budget is presented in **Table 3**.

**Table 3**

Uses	Original	Adjusted Budget	Actuals	Variance
Personnel Services	107,107,000	110,251,871	107,538,312	2,713,559
Contractual Services	140,332,500	136,399,106	122,666,651	13,732,455
Healthcare Services	3,383,549,700	3,467,796,181	3,283,184,146	184,612,035
Other Operating costs	433,722,700	498,753,548	484,185,020	14,568,528
Transfers out to other State Agencies	101,180,755	124,977,670	117,990,385	6,987,285
<b>Total Uses</b>	<b>4,165,892,655</b>	<b>4,338,178,376</b>	<b>4,115,564,514</b>	<b>222,613,862</b>
<b>Sources</b>				
General Fund Appropriation	914,924,900	880,378,600	880,067,927	310,673
Federal Grants	3,042,719,765	3,225,146,478	3,159,059,618	66,086,860
Other Revenue	88,233,400	88,283,317	60,541,313	27,742,004
Other State/Local funds	-	-	-	-
Transfer-in Compensation Package	770,500	1,558,100	1,426,338	131,762
Transfer-in from other State Agencies	118,170,000	142,720,000	136,740,315	5,979,685
Fund Balance	-	94,881	2,483,030	(2,388,149)
Reversion	-	-	(124,373,478)	124,373,478
<b>Total Sources</b>	<b>4,164,818,565</b>	<b>4,338,181,376</b>	<b>4,115,945,063</b>	<b>222,236,313</b>

**STATE OF NEW MEXICO  
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June 30, 2009**

**E. GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

While the variance indicates unexpended budget balance in all programs, it should be noted that the variance is mainly the result of over-budgeting of federal revenue. Program Support, Income Support and Behavioral Services Division which had significant balances in Personal Services. Those balances are attributable to excess federal funds which could not be earned as a result of cost allocation or budgeted federal funds in excess program needs. In the Contractual Services line most of the variance is attributable to Medical Assistance (\$9,562,120) where federal funds for transfers to School Districts were overstated and contract spending was reduced to meet the agency solvency plan. The balance of the amount in Contractual Services is attributable to excess federal funds which could not be earned as a result of cost allocation or federal funds in excess of program needs. In the Health Care Services line of the variance shown \$124,000,000 is directly attributable to the excess General Fund in the Medicaid Program due to the increase in the FMAP. The FMAP increases came as a result of the ARRA federal legislation and will ultimately result in a transfer of \$124 million to the Recovery and Reinvestment fund created by the legislature to capture excess General Fund. In the Other Operating Costs most of the variance (\$12,590,700) is in Income Support and is from many different federal grants in that had surpluses at year end including Commodities, LIHEAP, SNAP and TANF. The balance is attributable to excess federal funds which could not be earned as a result of cost allocation or federal funds in excess of program needs. Finally, in the Transfers out line the balance is excess federal budget authority in the Medical Assistance Division. The transfers to other agencies were less than anticipated.

**F. CAPITAL ASSETS AND DEBT MANAGEMENT**

**Capital Assets**

The Department's investment in capital assets as of June 30, 2009, amounted to \$4,208,003 net of accumulated depreciation. This investment in capital assets includes automobiles, equipment and machinery, data processing, and furniture and fixtures. The total decrease in the Department's investment in capital assets for the current period was 14%. The decrease in purchases of data processing equipment in 2009 was responsible for the overall decrease in capital assets.

Total depreciation expense for the year was \$994,678. 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 4 on page 33 to illustrate changes from the prior year.



**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**F. CAPITAL ASSETS AND DEBT MANAGEMENT (CONTINUED)**

**Debt**

At June 30, 2009 the Department had no long-term debt resulting from borrowing.

**G. THINGS AFFECTING THE DEPARTMENT'S FUTURE**

The state of the economy, further budget reductions and increased compliance efforts over Recovery Act funds received by the Department will be significant in Fiscal Year 2010. An Executive Order issued by Governor Richardson instructed state agencies to reduce spending. The Department implemented the budget reductions for 2010 with only a 1% cut to Medicaid, targeted expenditure reductions, increases in other sources of revenue and a state-wide 5 day furlough of employees within executive agencies. Approximately half of the State's Recovery Act funding to be received in 2009, 2010 and 2011 will come to the Human Services Department. As a result, the Department expects to be subjected to additional federal reviews and audits for all programs affected including Medicaid, SNAP, Child Support Enforcement and the Community Services Block Grant. The Department has completed several initiatives to address the increased reporting requirements of the Recovery Act funds and must continue these efforts into the next two fiscal years with reduced staff levels.

The Department continues to implement the updates to the eligibility system ISD2R and YES New Mexico. ISD2R is the application processing system that determines eligibility for the Medicaid and Income Support programs and the system used to process benefits for the Income Support programs. YES is the multi-agency system used to intake applications.

Healthcare reform for all New Mexicans remains a major focus for the nation and the Department. Finding alternatives to provide coverage in the face of the declining resources will continue to be a major challenge.

**H. CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT**

The Department's financial statements are designed 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's CFO, Elaine Olah, at Administrative Services Division, NM Human Services Department, PO Box 2348, Santa Fe, New Mexico 87504-2348.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
DEPARTMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2009

	Total Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 58,774
Interest in the State Treasurer General Fund Investment Pool	8,784,309
	<hr/> 8,843,083
Receivables	
Federal grants	460,449,576
Accounts receivable - net	3,806,745
Due from other state agencies	25,258,042
Net receivables	<hr/> 489,514,363
Supplies and commodities inventory and other	456,375
<b>Total current assets</b>	<hr/> 498,813,821
Capital assets - net	<hr/> 4,208,003
	<hr/> <hr/> 503,021,824
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued payroll	22,004,888
Healthcare services payable	175,813,742
Due to State Treasurer General Fund Investment Pool	109,849,118
Reversion payable to State General Fund	124,811,334
Compensated absences	4,578,501
Other liabilities	429,622
Due to other state agencies	43,675,745
Unearned federal revenue	8,530,900
Due to other entities	<hr/> 1,076,081
<b>Total liabilities</b>	<hr/> 490,769,931
Net Assets (Deficit)	
Invested in capital assets	4,208,003
Restricted for special programs	12,438,493
Unrestricted (deficit)	<hr/> (4,394,603)
<b>Total net assets</b>	<hr/> <hr/> \$ 12,251,893

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
DEPARTMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	
Governmental Activities			
Healthcare services	\$ 3,484,513,628	50,886,920	2,668,553,197
Financial assistance	491,937,174	4,876,832	470,988,258
General government	341,464,160	4,099,400	217,115,048
<b>Total governmental activities</b>	<b>4,317,914,962</b>	<b>59,863,152</b>	<b>3,356,656,503</b>
General Revenues			
State general fund appropriations			887,487,100
Reversion of State general fund appropriations - 2009			(124,763,307)
Transfers from other state agencies			142,370,383
Total general revenues and transfers			<u>905,094,176</u>
Change in net assets			3,698,869
Net assets - beginning of year			<u>8,553,024</u>
<b>Net assets - end of year</b>			<u><u>\$ 12,251,893</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2009**

ASSETS	General (05200)	ARRA (89000)	Data Processing Appropriations (90100)	Income Support L Warrants (97400)	Income Support N Warrants (97500)	Medical Assistance (97600)	Total Governmental Funds
Cash	\$ 1,000	-	-	-	-	57,774	58,774
Interest in the State Treasurer General Fund Investment Pool	-	-	2,579,096	2,549,800	3,655,413	-	8,784,309
	1,000	-	2,579,096	2,549,800	3,655,413	57,774	8,843,083
Receivables							
Federal grants	69,851,651	72,669,447	533,644	-	618,221	316,776,613	460,449,576
Accounts receivable - net	895,124	-	-	-	564,679	2,346,942	3,806,745
Due from other state agencies	834,878	-	-	-	-	24,423,164	25,258,042
Net receivables	71,581,653	72,669,447	533,644	-	1,182,900	343,546,719	489,514,363
Supplies and commodities inventory, other	183,898	144,252	306	-	127,919	-	456,375
<b>Total assets</b>	<b>\$ 71,766,551</b>	<b>72,813,699</b>	<b>3,113,046</b>	<b>2,549,800</b>	<b>4,966,232</b>	<b>343,604,493</b>	<b>498,813,821</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Accounts payable and accrued payroll	\$ 14,634,086	93,363	247,266	46,431	4,355,447	2,628,295	22,004,888
Healthcare services payable	-	10,299,314	-	-	-	165,514,428	175,813,742
Due to State Treasurer General Fund							
Investment Pool	11,291,094	61,952,821	-	-	-	36,605,203	109,849,118
Reversion payable to State General Fund	223,295	-	-	9,291	32,865	124,545,883	124,811,334
Other liabilities	403,655	-	4,209	-	21,758	-	429,622
Due to other state agencies	42,139,173	323,949	-	594,078	19,732	598,813	43,675,745
Deferred federal revenue	46,859	144,252	-	-	127,918	8,211,871	8,530,900
Due To Other Entities	667,569	-	-	-	408,512	-	1,076,081
<b>Total liabilities</b>	<b>69,405,731</b>	<b>72,813,699</b>	<b>251,475</b>	<b>649,800</b>	<b>4,966,232</b>	<b>338,104,493</b>	<b>486,191,430</b>
Commitments and contingencies							
Fund balances							
Reserved for inventory	131,059	-	-	-	-	-	131,059
Reserved for other	52,839	-	-	-	-	-	52,839
Reserved for special programs	2,176,922	-	2,861,571	1,900,000	-	5,500,000	12,438,493
Unreserved - undesignated	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>2,360,820</b>	<b>-</b>	<b>2,861,571</b>	<b>1,900,000</b>	<b>-</b>	<b>5,500,000</b>	<b>12,622,391</b>
<b>Total liabilities and fund balances</b>	<b>\$ 71,766,551</b>	<b>72,813,699</b>	<b>3,113,046</b>	<b>2,549,800</b>	<b>4,966,232</b>	<b>343,604,493</b>	<b>498,813,821</b>

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
RECONCILIATION OF DEPARTMENT-WIDE STATEMENT  
OF NET ASSETS TO GOVERNMENTAL  
FUNDS BALANCE SHEET  
Year Ended June 30, 2009

Amounts reported for governmental activities in the  
Statement of Net Assets are different because

Fund balances of governmental funds	\$ 12,622,391
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,208,003
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(4,578,501)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 12,251,893</u></u></b>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009

	General (05200)	ARRA (89000)	Data Processing Appropriations (90100)	Income Support L Warrants (97400)	Income Support N Warrants (97500)	Medical Assistance (97600)	Total Governmental Funds
<b>Revenues</b>							
Federal grants	\$ 216,148,019	196,360,278	967,029	20,747,525	419,279,031	2,503,154,621	3,356,656,503
Other revenues	6,506,984	-	-	-	2,469,248	50,886,920	59,863,152
<b>Total revenues</b>	<b>222,655,003</b>	<b>196,360,278</b>	<b>967,029</b>	<b>20,747,525</b>	<b>421,748,279</b>	<b>2,554,041,541</b>	<b>3,416,519,655</b>
<b>Expenditures-current</b>							
Healthcare services							
Contractual services	-	-	-	-	-	3,950,000	3,950,000
Healthcare services	-	165,398,576	-	-	-	3,283,210,074	3,448,608,650
Other operating costs	-	-	-	-	-	300	300
Total healthcare services	-	165,398,576	-	-	-	3,287,160,374	3,452,558,950
Financial assistance							
Personal services	-	855,388	-	-	682,885	-	1,538,273
Contractual services	-	18,249	-	-	14,830,732	-	14,848,981
Financial assistance	-	29,853,171	-	22,453,838	422,988,286	-	475,295,295
Other operating costs	-	234,894	-	-	19,731	-	254,625
Total financial assistance	-	30,961,702	-	22,453,838	438,521,634	-	491,931,174
General government							
Personal services	106,855,439	-	140,577	-	-	-	106,996,016
Contractual services	103,940,920	-	1,124,834	-	-	-	105,065,754
Other operating costs	42,060,319	-	330,671	-	-	-	42,390,990
Total general government	252,856,678	-	1,596,082	-	-	-	254,452,760
Expenditures-capital outlay	-	-	160,852	-	-	-	160,852
<b>Total expenditures</b>	<b>252,856,678</b>	<b>196,360,278</b>	<b>1,756,934</b>	<b>22,453,838</b>	<b>438,521,634</b>	<b>3,287,160,374</b>	<b>4,199,109,736</b>
Excess (deficiency) of revenue over expenditures	(30,201,675)	-	(789,905)	(1,706,313)	(16,773,355)	(733,118,833)	(782,590,081)
Other financing sources (uses)							
State General Fund appropriations	109,121,046	-	310,673	2,000,000	16,791,219	759,264,162	887,487,100
Transfers in from other state agencies	3,723,774	-	2,791,377	-	-	135,855,232	142,370,383
Transfers out to other state agencies	(86,035,936)	-	-	-	-	(31,954,678)	(117,990,614)
Reversions - 2009	(190,269)	-	-	(9,291)	(17,864)	(124,545,883)	(124,763,307)
Total other financing sources (uses)	26,618,615	-	3,102,050	1,990,709	16,773,355	738,618,833	787,103,562
<b>Net change in fund balances</b>	<b>(3,583,060)</b>	<b>-</b>	<b>2,312,145</b>	<b>284,396</b>	<b>-</b>	<b>5,500,000</b>	<b>4,513,481</b>
Fund balance, beginning of year	5,943,880	-	549,426	1,615,604	-	-	8,108,910
<b>Fund balances, end of year</b>	<b>\$ 2,360,820</b>	<b>-</b>	<b>2,861,571</b>	<b>1,900,000</b>	<b>-</b>	<b>5,500,000</b>	<b>12,622,391</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
RECONCILIATION OF DEPARTMENT-WIDE STATEMENT OF  
ACTIVITIES TO GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009

Amounts reported for governmental activities in the statement  
activities are different because

Changes in fund balance of governmental funds	\$ 4,513,481
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount of capital outlay expenditures which were capitalized in the statement of net assets.	413,529
Depreciation expenses not recorded in the governmental funds	(994,678)
Loss on capital assets due to disposal	(81,198)
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in compensated absences during the year.	<u>(152,265)</u>
Changes in net assets of governmental activities	<u>\$ 3,698,869</u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
STATEMENT OF FIDUCIARY NET ASSETS-AGENCY FUND 978  
June 30, 2009

**ASSETS**

Current Assets

Interest in the State Treasurer General Fund	
Investment Pool	\$ 2,276,357
Other receivables, net of an allowance of \$2,138,004	698,538
Due from other agencies	50
<b>Total Assets</b>	<u>\$ 2,974,945</u>

**LIABILITIES**

Current Liabilities

Deposits held in trust for others	\$ 2,277,139
Other liabilities	697,806
<b>Total Liabilities</b>	<u>\$ 2,974,945</u>

*See Notes to Financial Statements.*



**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1. ORGANIZATION AND PURPOSE**

The State of New Mexico Human Services Department (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 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, 2009, federal revenue represented 76% of the Department's total revenue.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Department have been prepared in conformity with generally accepted accounting principles (GAAP) for governmental units pursuant to the statements of the Governmental Accounting Standards Board. The Department has elected not to apply pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989. The more significant accounting policies of the Department are described below.

***Department-Wide and Fund Financial Statements***

The department-wide financial statements include two statements: the statement of net assets and the statement of activities. The statement of net assets and the statement of activities report information on all of the nonfiduciary 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 funds 97600 and 89000, 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.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

*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.

*Governmental Funds* are used to account for most of the Department's general activities, including the collection and disbursement of earmarked 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 account for the use of restricted resources.

*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 978) does not receive any funding from the state or federal government. Costs of administering fund 978 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. Funds 90100 and 97400 are included as major funds as the Department desires to highlight the funds.

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

**Fund 05200 - General Fund**

*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.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Fund 89000 - Special Revenue Fund (American Recovery and Reinvestment Act-ARRA)**

The ARRA fund is used to track special appropriations related to ARRA. Fund 89000 and the R series of appropriation codes were created for agencies receiving federal stimulus funds. The ARRA codes are used for the processing of all transactions relating to ARRA funds. For fiscal year 2009 funding is 100% federal in fund 89000.

**Fund 90100 - Special Revenue Fund (General Appropriation Act of 2003, Laws of 2003, Chapter 76)**

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.

**Fund 97400 - Special Revenue Fund (Section 6-5-9 NMSA 1978)**

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.

**Fund 97500 - Special Revenue Fund (Section 6-5-9 NMSA 1978)**

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.

**Fund 97600 - Special Revenue Fund (Section 6-5-9 NMSA 1978)**

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.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

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

**Fund 97800 - Agency Fund**

Child Support Enforcement 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 estimate 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.

**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.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

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. 60-day availability period is used for revenue recognition for all 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.

**Cash and Cash Equivalents**

For purposes of presentation in the financial statements, the Department considers cash deposits and the Interest in the State Treasurer General Fund Investment Pool to be cash equivalents.

**Capital Assets**

Capital assets, which include automobiles, equipment (including software), machinery, furniture and fixtures, are reported in the government-wide financial statements. Assets are capitalized by the Department if the cost of the item is more than \$5,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The Department purchases and produces computer software. The direct cost of materials and services consumed in developing computer software, including payroll costs, are capitalized.

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

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Automobiles	4 to 10 years
Equipment and machinery	5 to 10 years
Data processing	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 assets in the accompanying financial statements. Accrued vacation is calculated based on pay rate plus required taxes.

**Due to State Treasurer General Fund Investment Pool**

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

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Net Assets**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

*Invested in Capital Assets (net of related debt)* – is intended to reflect the portion of net assets 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 Net Assets* – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Such restrictions are legally enforceable.

*Unrestricted Net Assets* – represent unrestricted liquid assets.

For the department-wide financial statements, it is the policy of the Department that restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**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).

**Budgetary Data**

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.

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).



**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**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 estimates of payments to be made to providers for reported claims and for claims not yet reported to the Department. Management develops these estimates using actuarial methods 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.

Pursuant 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.

**NOTE 3. CASH AND INTEREST IN THE STATE TREASURER GENERAL FUND  
INVESTMENT POOL**

The interest in the State Treasurer General Fund Investment Pool is in accounts that are pooled with other state funds on deposit in the State Treasurer's name at commercial banking and other financial institutions. Information regarding the adequacy of collateralization of deposits is not known to individual agencies and is the responsibility of the State Treasurer. To obtain pledged collateral, investment risk, and insurance coverage information for the Department's State Treasurer deposits, a copy of separately issued financial statements can be obtained from the State Treasurer's Office. At June 30, 2009, funds 052, 890 and 976 had balances due to the State General Fund Investment Pool primarily due to outstanding warrants that have not been presented.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 3. CASH AND INTEREST IN THE STATE TREASURER GENERAL FUND  
INVESTMENT POOL (CONTINUED)**

In accordance with Chapter 6, Article 10 NMSA 1978, annotated, the Department is required to deposit its funds with the New Mexico State Treasurer or, in special circumstances, in bank accounts approved by the New Mexico State Treasurer. The Department can withdraw its funds from the State Treasurer as needed and therefore considers them to be cash equivalents. All earnings on deposits are retained by the State General Fund; therefore, from the Department's perspective, the cash balances are non-interest bearing and stated at cost.

The cash balance on deposit with Wells Fargo Bank as of June 30, 2009 that exceed the Federal Deposit Insurance Corporation (FDIC) insured coverage of \$250,000 is fully collateralized with securities pledged by the respective Bank. Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such authorized bank accounts.

Cash consists of the following:

Governmental Funds	
Cash on deposit with State Treasurer	\$ 8,784,310
Wells Fargo Bank	57,773
Petty cash	<u>1,000</u>
Total governmental funds cash	<u>8,843,083</u>
Fiduciary Fund	
Cash on deposit with State Treasurer	<u>2,276,357</u>
Total cash	<u>\$11,119,440</u>
Due to the State Treasurer General Fund Investment Pool	
Fund 05200	\$ 11,291,094
Fund 89000	61,952,821
Fund 97600	<u>36,605,203</u>
Net cash	<u>\$ 109,849,118</u>

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 4. CAPITAL ASSETS**

Governmental Activities:

	June 30, 2008	Additions	Deletions	June 30, 2009
Capital Assets				
Automobiles	\$ 885,710	114,677	-	1,000,387
Equipment and machinery	1,012,114	20,025	(13,014)	1,019,125
Data processing	8,652,379	236,111	(81,198)	8,807,292
Furniture and fixtures	60,911	42,716	-	103,627
Total capital assets	<u>10,611,114</u>	<u>413,529</u>	<u>(94,212)</u>	<u>10,930,431</u>
Accumulated depreciation				
Automobiles	(702,130)	(75,014)	-	(777,144)
Equipment and machinery	(858,490)	(67,703)	13,014	(913,179)
Data processing	(4,132,251)	(844,469)	-	(4,976,720)
Furniture and fixtures	(47,893)	(7,492)	-	(55,385)
Total accumulated depreciation	<u>(5,740,764)</u>	<u>(994,678)</u>	<u>13,014</u>	<u>(6,722,428)</u>
Total capital assets – net	<u>\$ 4,870,350</u>	<u>(581,149)</u>	<u>(81,198)</u>	<u>4,208,003</u>

Current year depreciation expense of \$994,678 was allocated entirely to the general government function in the government-wide statement of activities.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

At June 30, 2009, accounts payable and accrued expenses consisted of the following:

	Contractual Services	Job Training Services	Management Information Systems	Grant Recipients	Total
Major Governmental Funds					
General Fund (05200)	\$ 14,634,086	-	-	-	14,634,086
ARRA Fund (89000)	93,363	-	-	-	93,363
Data Processing					
Appropriations (90100)	71,025	-	176,241	-	247,266
Income Support L Warrants (97400)	-	-	-	46,431	46,431
Income Support N					
Warrants (97500)	4,303,990	51,457	-	-	4,355,447
Medical Assistance (97600)	2,628,295	-	-	-	2,628,295
	<u>\$ 21,730,759</u>	<u>51,457</u>	<u>176,241</u>	<u>46,431</u>	<u>22,004,888</u>

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

**NOTE 6. ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following:

	June 30, 2008	Additions	Deletions	June 30, 2009
Annual leave	\$ 3,948,496	2,391,020	(2,136,454)	4,203,062
Sick leave	123,669	108,419	(118,691)	113,397
Compensatory time	354,071	262,042	(354,071)	262,042
Total compensated absences	<u>\$ 4,426,236</u>	<u>2,761,481</u>	<u>(2,609,216)</u>	<u>4,578,501</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.

**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 up to fiscal year ending June 30, 2009 are 86.3% completed according to the policy outlined by the Department. 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.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**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, 2009, the Department was not aware of any audit exceptions, claims or lawsuits, which could have a material effect on the Department's financial position or results of operations.

In connection with conducting single audit procedures, certain amounts have been identified as questioned cost. These cost represent amounts associated with the identified findings, but do not represent amounts that have been disallowed by the federal granting agency.

**NOTE 9. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description.** A substantial amount 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](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute 7.42% (ranges from 4.78% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Department is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) 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's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$12,575,019, \$11,637,838, and \$10,347,978, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 10. SPECIAL APPROPRIATIONS**

Special, Deficiency, and Specific appropriations during the year consisted of the following:

	Original Appropriation Balance	Short Purpose	Period	Cumulative Expenditures 6/30/09	Outstanding Encumbrances 6/30/09	Amount to be Reverted	Unencumbered Appropriations
<b>Fund 05200-General Fund</b>							
Information Technology Division	\$ 653,500	Security Breach Supplemental	July 2008 to June 2009	\$ 653,500	-	-	-
CYFD Domestic Violence	2,000,000	Domestic Violence Projects	March 2008 to June 2012	-	-	-	2,000,000
Behavioral Health	40,000	Native American Services	July 2008 to June 2009	40,000	-	-	-
Behavioral Health	<u>15,000</u>	Clubhouse Model	July 2008 to June 2009	15,000	-	-	-
Fund 05200 total	<u>\$ 2,708,500</u>			<u>\$ 708,500</u>	-	-	<u>\$ 2,000,000</u>
<b>Fund 90100-Data Processing</b>							
DRA	\$ 402,500	Deficit Reduction Act	July 2008 to June 2009	\$ 165,241	-	-	\$ 237,259
YES- NM (1)	2,000,000	Information changes in the Information Technology Division	July 2007 to June 2010	410,963	-	-	1,589,037
ISD2 Refresh (HSD3)	2,500,000	Convert current human services Systems into layered structure HSD3	July 2005 to June 2010	299,632	-	-	2,200,368
EDMS	<u>1,200,000</u>	Computer Enhancement – Implement Multi-agency system for imaging and Archiving documents (EDMS)	July 2004 to June 2010	1,096,078	-	-	<u>103,922</u>
Fund 90100 total	<u>\$ 6,102,500</u>			<u>\$ 1,971,914</u>	-	-	<u>\$ 4,130,586</u>

(1) An amount of \$56,223 was shown as reverted for the year ended 6-30-08, it was a return of other state funds.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 10. SPECIAL APPROPRIATIONS (CONTINUED)

Original Appropriation Balance	Short Purpose	Period	Cumulative Expenditures 6/30/09	Outstanding Encumbrances 6/30/09	Amount to be Reverted	Unencumbered Appropriations
Fund 97400-LIHEAP						
\$ 2,000,000	Low Income Home Energy Assistance Program	March 2008 to June 2009	\$ 1,990,709	-	\$ 9,291	-
<u>1,900,000</u>	Low Income Home Energy Assistance	August 2008 to June 2010	-	-	-	<u>1,900,000</u>
<u>\$ 3,900,000</u>			<u>\$ 1,990,709</u>	<u>-</u>	<u>\$ 9,291</u>	<u>\$ 1,900,000</u>
Fund 97400 total						
Fund 97600-Medical Assistance						
\$ 4,000,000	Developmental Disability Waiver Program	July 2008 to June 2010	\$ -	-	-	4,000,000
<u>1,500,000</u>	Behavioral Health Services	July 2008 to June 2010	-	-	-	<u>1,500,000</u>
<u>\$ 5,500,000</u>			<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ 5,500,000</u>
Fund 97600 total						

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**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 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](http://www.nmrhca.state.nm.us).



STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

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

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute 0.65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The Department's contributions to the RHCA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$961,016, \$893,656 and \$799,961, 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:

2010	\$ 14,229,668
2011	15,833,368
2012	15,649,492
2013	13,550,545
2014 – 2018	52,432,993
2019 – 2023	25,598,237
2024 – 2028	<u>678,904</u>
Total	<u>\$137,973,207</u>

Total rent expense for office space and equipment for the fiscal year ended June 30, 2009 was as follows:

Office space	\$ 15,336,260
Equipment	<u>1,187,074</u>
Total	<u>\$ 16,523,334</u>

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**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, 2009, the Department reverted \$31,136 pertaining to fiscal years 2007 or prior. The Department accrued a \$124,780,198 liability for reversions specifically related to fiscal year ending June 30, 2009. The reversion payable by fund, program and appropriation period were as follows:

Prior Fiscal Year

Fund 05200	General Fund	Fiscal Year 2007 and 2006	\$	31,136
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Current Fiscal Year

Fund 05200	General Fund	Fiscal Year 2009		192,159
Fund 97400	Income Support-LIHEAP	Fiscal Year 2009		9,291
Fund 97500	Income Support	Fiscal Year 2009		32,865
Fund 97600	Medical Assistance	Fiscal Year 2009		<u>124,545,883</u>
				<u>124,780,198</u>
			<b>\$</b>	<b><u>124,811,334</u></b>

The reversion pertaining to fiscal year 2007 and prior resulted from stale dated warrants.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14. TRANSFERS IN AND TRANSFERS OUT**

State Agency	Business Unit	SHARE Fund No.	Purpose	General Fund (05200)	Data Processing Appropriations (90100)	Medical Assistance (97600)	Income Support (97400/97500)	Total
Transfers in								
Children Youth & Families Dept.	69000	06702	Interagency Behavioral Health Purchasing Collaborative	\$1,317,353	-	-	-	1,317,353
Department of Health	66500	06100	Medicaid and TANF Services	-	-	74,815,933	-	74,815,933
Aging and Long Term Services	62400	04900	Services to Elderly	-	-	2,278,288	-	2,278,288
Dept. of Finance and Administration	34100	62000	Breast and Cervical Cancer	-	-	28,850,000	-	28,850,000
Dept. of Finance and Administration	34100	62000	County Supported Medicaid Fund (Admin)	925,083	-	29,911,011	-	30,836,094
Dept. of Finance and Administration	34100	62000	EDMS	-	832,500	-	-	832,500
Dept. of Finance and Administration	34100	62000	BH Services for Native Americans	40,000	-	-	-	40,000
Dept. of Finance and Administration	34100	62000	BH Clubhouse Model	15,000	-	-	-	15,000
Dept. of Finance and Administration	34100	62000	ISD2 Refresh	-	1,958,877	-	-	1,958,877
Dept. of Finance and Administration	34100	62000	Compensation Package	808,100	-	-	-	808,100
Public Education Department	92400	07200	Distributed of Food to the Schools	618,238	-	-	-	618,238
				<u>\$ 3,723,774</u>	<u>2,791,377</u>	<u>135,855,232</u>	<u>-</u>	<u>142,370,383</u>
State General Fund Appropriation								
Dept. of Finance and Administration	34100	62000	State General Fund Appropriation	\$109,121,046	310,673	759,264,162	18,791,219	887,487,100

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 14. TRANSFERS IN AND TRANSFERS OUT (CONTINUED)

State Agency	Business Unit	SHARE Fund No	Purpose	General Fund (05200)	Medical Assistance (97600)	Total
Children, Youth, and Families Department	69000	06700	Medicaid Case Management	\$ 1,435,000	-	1,435,000
Children, Youth, and Families Department	69000	06700	CMHS-Domestic Violence	414,000	-	414,000
Children, Youth, and Families Department	69000	06700	TANF-Domestic Violence	3,600,000	-	3,600,000
Children, Youth, and Families Department	69000	49100	TANF-Child Care & Training	39,619,529	-	39,619,529
Children, Youth, and Families Department	69000	06700	Employment & Training	560,000	-	560,000
Children, Youth, and Families Department	69000	06700	Parent Child-Special Appropriation	1,000,000	-	1,000,000
Children, Youth, and Families Department	69000	06700	Employment & Training Child Care	41,000	-	41,000
Children, Youth, and Families Department	69000	06700	Payment to Public Providers	-	(232)	(232)
Department of Health	66500	06100	Payment to Public Providers	-	31,954,910	31,954,910
Department of Health	66500	06104	Public Health Division	1,280,558	-	1,280,558
Department of Health	66500	06100	Medicaid-EPST	606,699	-	606,699
Department of Health	66500	06100	Medicaid-Families First	402,969	-	402,969
Department of Health	66500	06100	Medicaid-CMCH-OBRA	561,048	-	561,048
Department of Health	66500	06100	Medicaid-LTSD-DHI	10,130,995	-	10,130,995
Department of Health	66500	06100	Medicaid-Nurse Aide Training	45,000	-	45,000
Department of Health	66500	06100	Medicaid-FIT	8,382	-	8,382
Department of Health	66500	06100	Medicaid-PASARR	339,666	-	339,666
Department of Health	66500	06100	Medicaid-PRAMS	67,217	-	67,217
Department of Health	66500	06100	Medicaid-Media Campaign	9,787	-	9,787
Department of Health	66500	06100	Medicaid-Administration	2,528,835	-	2,528,835
Aging and Long Term Care Department	66200	06104	Refugee CMA-Health Screening	126,418	-	126,418
Aging and Long-Term Services Dept, NM	62400	04900	Medicaid-Administration	1,834,643	-	1,834,643
Commission on the Status of Women	62400	04900	TANF-Gold Mentor	725,288	-	725,288
Developmental Disabilities Planning Council	60100	04300	TANF-Job Skills	1,377,723	-	1,377,723
Finance & Administration Department	64700	07900	Medicaid-Baby-Net	50,000	-	50,000
Public Education Department	34100	06200	Allocation -Federal Lobbyist	29,087	-	29,087
	92400		Medicaid-WDI	292,744	-	292,744

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
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NOTE 14. TRANSFERS IN AND TRANSFERS OUT (CONTINUED)

State Agency	Business Unit	SHARE Fund No	Purpose	General Fund (05200)	Medical Assistance (97600)	Total
Transfers out (Continued)						
Public Education Department	92400		Medicaid-Re-determination DI	\$ 135,610	-	135,610
Public Education Department	92400		TANF-Pre-K Program	1,000,000	-	1,000,000
Governors Commission on Disability	64500	05800	Medicaid-WDI	32,123	-	32,123
Office of Work Force Training & Development	63500	32900	Medicaid-WDI	155,466	-	155,466
City of Albuquerque			ACT Services	79,876	-	79,876
Taxation and Revenue Department	33300		TANF-Working Families Tax Cr.	16,586,715	-	16,586,715
University of New Mexico	96900	23300	Medicaid-Envision NM	959,558	-	959,558
				<u>\$ 86,035,936</u>	<u>31,954,678</u>	<u>117,990,614</u>

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
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**NOTE 15. DUE TO/FROM OTHER STATE AGENCIES**

Due from other state agencies

State Agency	Business Unit	Purpose	General Fund (05200)	Medical Assistance (97600)	Child Support Enforcement (97800)	Total
3 <sup>rd</sup> Judicial District	23300	Reimbursement of unspent funds	443	-	-	443
Aging & Long Term Services	62400	Reimbursement for shared facilities	2,053	1,206,028	-	1,208,081
Department of Corrections	77000	Reimbursement for shared facilities	20,514	-	-	20,514
Department of Finance and Admin.	34100	CSMF, Interest, and special appropriation	54,110	1,749,571	50	1,803,731
Department of Health	66500	Maximum invoices, CCIC programs, etc.	747,835	21,467,565	-	22,215,400
NM Veteran's Commission	67000	Reimbursement for shared facilities	9,923	-	-	9,923
			<u>834,878</u>	<u>24,423,164</u>	<u>50</u>	<u>25,258,092</u>

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
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June 30, 2009

NOTE 15. DUE TO/FROM OTHER STATE AGENCIES (CONTINUED)

Due to other state agencies

State Agency	Business Unit	Purpose	General Fund (052)	Data Processing Appropriations (901)	Income Support L Warrants (974)	Income Support N Warrants (975)	Medical Assistance (976)	Total
Agency on Aging Children Youth and Families Department	62400	Long-term elderly care	\$ 937,235	-	-	-	-	937,235
City of Albuquerque	69000	Medicaid and TANF Services	12,756,006	-	-	-	433,064	13,189,070
Corrections Department	77000	Assertive Community Treatment Support Services	79,876	-	-	-	-	79,876
Comm. on the Status of Women	60100	Female workforce development	500	-	-	-	-	500
DD Planning Council	64700	Determine disability eligibility	212,685	-	-	19,732	-	232,417
Department of Taxation & Revenue	33300	TANF Disbursements for Tax Credits	15,101	-	-	-	-	15,101
Department of Health	66500	Medicaid and TANF Services	16,586,715	-	-	-	-	16,586,715
Department of Information Technology	36100	Support services	8,280,627	-	-	-	165,749	8,446,376
Department of Labor	63100	Workforce development	2,734,199	323,949	-	-	-	3,058,148
NM Mortgage Finance Authority	81400	TANF services	35,981	-	-	-	-	35,981
Governors Commission on Disability	64500	Medicaid and TANF Services	-	-	594,078	-	-	594,078
State Records Ctr & Archives	36900	Support services	14,168	-	-	-	-	14,168
University of New Mexico Division of Vocational Rehabilitation	96900	Envisions NM	3,472	-	-	-	-	3,472
	64400	Determine disability eligibility	312,435	-	-	-	-	312,435
			170,173	-	-	-	-	170,173
			\$ 42,139,173	323,949	594,078	19,732	598,813	43,675,745

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
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June 30, 2009

**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’s for State of New Mexico employees.

During the 2009 fiscal year, the Department paid Risk Management \$2,027,115 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, 2009, 2008 and 2007, the Department had no claims for which the Risk Management Division has returned as “not covered” that would become the responsibility of the Department.

**NOTE 17. RESERVED FOR SPECIAL PROGRAMS**

The fund balance reserved for special programs is comprised of the following:

Fund 052

Robert Wood Johnson Grant (restricted by donor)	\$ 176,922
Domestic Violence Project (Laws of 2008, Senate Bill 471, Section 54)	<u>2,000,000</u>
<b>Fund 052 total</b>	<u>2,176,922</u>

Fund 901

Deficit Reduction Act (Laws of 2008, Chapter 3, Section 5, Item 72)	237,259
YES- NM	595,937
ISD2 Refresh	1,924,453
Electronic Data Management System	<u>103,922</u>
<b>Fund 901 total</b>	<u>2,861,571</u>



STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 17. RESERVED FOR SPECIAL PROGRAMS (CONTINUED)**

Fund 974

LIHEAP (Laws of 2008 Sp. Session Senate Bill 21, Chapter 6, Section 1)	<u>\$ 1,900,000</u>
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Fund 976

DD Medicaid Waiver (Laws of 2009, Senate Bill 79, Chapter 3, Section 7)	4,000,000
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Enhanced Behavioral Health Services (Laws of 2009, Senate Bill 79, Chapter 3, Section 7)	<u>1,500,000</u>
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<b>Fund 976 total</b>	<u><u>5,500,000</u></u>
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<b>Grand total</b>	<u><u>\$ 12,438,493</u></u>
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**REQUIRED SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
PROGRAM SUPPORT PROGRAM-P522  
GENERAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 3,571,300	3,571,300	3,467,593	(103,707)
Federal grants	28,910,165	28,910,165	26,509,956	(2,400,209)
Other	-	-	416,005	416,005
<b>TOTAL REVENUES</b>	<b>32,481,465</b>	<b>32,481,465</b>	<b>30,393,554</b>	<b>(2,087,911)</b>
Cash Balance budgeted	1,074,090			
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	17,870,300	19,089,523	18,669,497	(420,026)
Contractual services	13,310,200	12,695,551	11,812,948	(882,603)
Healthcare Services	-	-	-	-
Other Cost	15,333,100	15,912,166	14,836,479	(1,075,687)
<b>TOTAL EXPENDITURES</b>	<b>46,513,600</b>	<b>47,697,240</b>	<b>45,318,924</b>	<b>(2,378,316)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	12,914,800	15,172,530	14,861,857	(310,673)
Compensation Package	92,600	92,600	92,600	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	(49,355)	(49,355)	(29,087)	20,268
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,958,045</b>	<b>15,215,775</b>	<b>14,925,370</b>	<b>(290,405)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	-	-

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
CHILD SUPPORT PROGRAM-P523  
GENERAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 3,904,200	3,924,200	2,786,326	(1,137,874)
Federal grants	21,052,400	20,653,659	20,545,493	(108,166)
Other	-	-	1,052,370	1,052,370
<b>TOTAL REVENUES</b>	<b>24,956,600</b>	<b>24,577,859</b>	<b>24,384,189</b>	<b>(193,670)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	21,266,000	20,851,588	20,850,762	(826)
Contractual services	7,840,000	7,288,354	7,210,300	(78,054)
Healthcare Services	-	-	-	-
Other Cost	4,864,300	5,226,217	5,111,427	(114,790)
<b>TOTAL EXPENDITURES</b>	<b>33,970,300</b>	<b>33,366,159</b>	<b>33,172,489</b>	<b>(193,670)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	8,891,300	8,665,900	8,665,900	-
Compensation Package	122,400	122,400	122,400	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,013,700</b>	<b>8,788,300</b>	<b>8,788,300</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	-	-

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
MEDICAL ASSISTANCE PROGRAM-P524  
GENERAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over Under
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 75,748,000	77,011,437	50,501,119	(26,510,318)
Federal grants	2,269,720,600	2,387,494,972	2,345,330,524	(42,164,448)
Other	-	91,881	129,395	37,514
<b>TOTAL REVENUES</b>	<b>2,345,468,600</b>	<b>2,464,598,290</b>	<b>2,395,961,038</b>	<b>(68,637,252)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	11,014,700	12,055,220	11,894,703	(160,517)
Contractual services	34,940,600	31,965,539	22,403,419	(9,562,120)
Healthcare Services	3,060,174,700	3,183,750,539	3,016,968,371	(166,782,168)
Other Cost	2,775,000	2,714,026	2,375,251	(338,775)
<b>TOTAL EXPENDITURES</b>	<b>3,108,905,000</b>	<b>3,230,485,324</b>	<b>3,053,641,744</b>	<b>(176,843,580)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	703,565,100	681,464,934	681,464,934	-
Compensation Package	92,400	92,400	92,400	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	118,170,000	142,720,000	136,740,315	(5,979,685)
Transfers Out:				
Transfers - out to other state agencies	(58,391,100)	(58,390,300)	(51,630,296)	6,760,004
Reversion	-	-	(108,986,647)	(108,986,647)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>763,436,400</b>	<b>765,887,034</b>	<b>657,680,706</b>	<b>(108,206,328)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	-	-

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
INCOME SUPPORT PROGRAM-P525  
GENERAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over Under
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 3,557,900	3,734,380	3,632,932	(101,448)
Federal grants	475,896,200	565,052,372	549,366,322	(15,686,050)
Other	-	-	21,000	21,000
<b>TOTAL REVENUES</b>	<b>479,454,100</b>	<b>568,786,752</b>	<b>553,020,254</b>	<b>(15,766,498)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	54,309,600	55,331,600	53,462,578	(1,869,022)
Contractual services	24,289,400	24,296,400	22,930,613	(1,365,787)
Other Cost	409,318,100	473,867,137	461,276,393	(12,590,744)
<b>TOTAL EXPENDITURES</b>	<b>487,917,100</b>	<b>553,495,137</b>	<b>537,669,584</b>	<b>(15,825,553)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	48,922,200	48,222,300	48,222,300	-
Compensation Package	463,100	1,213,100	1,081,338	(131,762)
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	(40,922,300)	(64,727,015)	(64,636,444)	90,571
Reversion	-	-	(17,864)	(17,864)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,463,000</b>	<b>(15,291,615)</b>	<b>(15,350,670)</b>	<b>(59,055)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	-	-

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
MEDICAID BEHAVIORAL HEALTH PROGRAM-P766  
GENERAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ -	-	-	-
Federal grants	228,457,000	201,672,406	199,401,775	(2,270,631)
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>228,457,000</b>	<b>201,672,406</b>	<b>199,401,775</b>	<b>(2,270,631)</b>
<b>EXPENDITURES:</b>				
Current:				
Healthcare Services	323,375,000	284,045,642	266,215,775	(17,829,867)
Other Cost	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>323,375,000</b>	<b>284,045,642</b>	<b>266,215,775</b>	<b>(17,829,867)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	94,918,000	82,373,236	82,373,236	-
Compensation Package	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	(15,559,236)	(15,559,236)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>94,918,000</b>	<b>82,373,236</b>	<b>66,814,000</b>	<b>(15,559,236)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
BEHAVIORAL HEALTH SERVICE PROGRAM-P767  
GENERAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 1,452,000	42,000	153,342	111,342
Federal grants	18,683,400	21,362,904	17,905,548	(3,457,356)
Other	-	-	864,259	864,259
<b>TOTAL REVENUES</b>	<b>20,135,400</b>	<b>21,404,904</b>	<b>18,923,149</b>	<b>(2,481,755)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	2,646,400	2,923,940	2,660,782	(263,158)
Contractual services	59,952,300	60,153,262	58,108,002	(2,045,260)
Other Cost	1,432,200	1,034,002	585,469	(448,533)
<b>TOTAL EXPENDITURES</b>	<b>64,030,900</b>	<b>64,111,204</b>	<b>61,354,253</b>	<b>(2,756,951)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	45,713,500	44,479,700	44,479,700	-
Compensation Package	-	37,600	37,600	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	(1,818,000)	(1,811,000)	(1,694,558)	116,442
Reversion	-	-	(190,269)	(190,269)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>43,895,500</b>	<b>42,706,300</b>	<b>42,632,473</b>	<b>(73,827)</b>
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	201,369	201,369



STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
PROGRAM SUPPORT PROGRAM-P522  
SPECIAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over Under (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ -	3,161,243	3,161,243	-
Federal grants	-	1,911,607	1,911,607	-
Other	-	1,248,911	-	(1,248,911)
<b>TOTAL REVENUES</b>	-	6,321,761	5,072,850	(1,248,911)
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	-	398,565	140,577	(257,988)
Contractual services	-	2,772,535	1,124,835	(1,647,700)
Healthcare Services	-	-	-	-
Other Cost	-	3,804,161	2,148,826	(1,655,335)
<b>TOTAL EXPENDITURES</b>	-	6,975,261	3,414,238	(3,561,023)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	-	653,500	653,500	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	653,500	653,500	-
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	2,312,112	2,312,112

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
CHILD SUPPORT PROGRAM-P523  
SPECIAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over Under
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ -	-	-	-
Federal grants	8,453,500	8,453,500	1,108,531	(7,344,969)
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>8,453,500</b>	<b>8,453,500</b>	<b>1,108,531</b>	<b>(7,344,969)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	5,725,700	5,725,700	855,388	(4,870,312)
Contractual services	638,200	638,200	18,249	(619,951)
Healthcare Services	-	-	-	-
Other Cost	2,089,600	2,089,600	234,894	(1,854,706)
<b>TOTAL EXPENDITURES</b>	<b>8,453,500</b>	<b>8,453,500</b>	<b>1,108,531</b>	<b>(7,344,969)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	-	-	-	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	-	-

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
MEDICAL ASSISTANCE PROGRAM-P524  
SPECIAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ -	-	-	-
Federal grants	556,781,704	556,781,704	165,398,576	(391,383,128)
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>556,781,704</b>	<b>556,781,704</b>	<b>165,398,576</b>	<b>(391,383,128)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Healthcare Services	562,281,704	562,281,704	165,398,576	(396,883,128)
Other Cost	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>562,281,704</b>	<b>562,281,704</b>	<b>165,398,576</b>	<b>(396,883,128)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	5,500,000	5,500,000	-	(5,500,000)
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,500,000</b>	<b>5,500,000</b>	<b>-</b>	<b>(5,500,000)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES OTHER FINANCING SOURCES (USES)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
INCOME SUPPORT PROGRAM-P525  
SPECIAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ -	-	-	-
Federal grants	192,331,003	192,331,003	29,853,172	(162,477,831)
Other	1,715,603	1,715,603	1,715,603	-
<b>TOTAL REVENUES</b>	<b>194,046,606</b>	<b>194,046,606</b>	<b>31,568,775</b>	<b>(162,477,831)</b>
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	1,110,432	1,110,432	-	(1,110,432)
Contractual services	5,868,414	5,868,414	-	(5,868,414)
Healthcare Services	-	-	-	-
Other Cost	188,967,760	188,967,760	31,559,484	(157,408,276)
<b>TOTAL EXPENDITURES</b>	<b>195,946,606</b>	<b>195,946,606</b>	<b>31,559,484</b>	<b>(164,387,122)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	1,900,000	1,900,000	2,000,000	100,000
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	(9,291)	(9,291)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,900,000</b>	<b>1,900,000</b>	<b>1,990,709</b>	<b>90,709</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES OTHER FINANCING SOURCES (USES)</b>	<b>\$ -</b>	<b>-</b>	<b>2,000,000</b>	<b>2,000,000</b>

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
BEHAVIORAL HEALTH SERVICE PROGRAM-P767  
SPECIAL APPROPRIATIONS  
June 30, 2009

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ -	-	-	-
Federal grants	-	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
Current:				
Personnel services and benefits	-	-	-	-
Contractual services	55,000	55,000	55,000	-
Healthcare Services	-	-	-	-
Other Cost	-	-	-	-
<b>TOTAL EXPENDITURES</b>	55,000	55,000	55,000	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in:				
General Funds	-	-	-	-
Compensation Package	-	-	-	-
Supplemental	55,000	55,000	55,000	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	55,000	55,000	55,000	-
<b>EXCESS (DEFICIENCY) OF</b>				
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES AND OTHER USES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
	\$ -	-	-	-

**STATE OF NEW MEXICO**  
**HUMAN SERVICES DEPARTMENT**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**June 30, 2009**

**NOTE 1. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO  
BUDGETARY COMPAIRISON SCHEDULES**

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 2009 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 in the footnotes.

	Revenue	Expenses	Other Financing Sources/Uses	Net Change in Fund Balance
Net Changes in Fund Balance per statement of revenues, expenditures and changes in fund balance				
General Fund (052)	\$ 222,655,003	(252,856,678)	26,618,615	(3,583,060)
ARRA (890)	196,360,278	(196,360,278)	-	-
Data Processing				
Appropriations (901)	967,029	(1,756,934)	3,102,050	2,312,145
Income Support L Warrants (974)	20,747,525	(22,453,838)	1,990,709	284,396
Income Support N Warrants (975)	421,748,279	(438,521,634)	16,773,355	-
Medicaid Assistance (976)	2,554,041,541	(3,287,160,374)	738,618,833	5,500,000
	<u>3,416,519,655</u>	<u>(4,199,109,736)</u>	<u>787,103,562</u>	<u>4,513,481</u>

Net Changes in fund balance per  
Budget Schedules

General Appropriations				
Program Support Program	\$ 30,393,553	(45,318,924)	14,925,371	-
Child Support Program	24,384,189	(33,172,489)	8,788,300	-
Medical Assistance Program	2,395,961,038	(3,053,641,744)	657,680,706	-
Income Support Program	553,020,254	(537,669,584)	(15,350,670)	-
Medicaid Behavioral Health Program	199,401,775	(266,215,775)	66,814,000	-
Behavioral Health Service	18,923,149	(61,354,253)	42,632,473	201,369

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
June 30, 2009

NOTE 1. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO  
BUDGETARY COMPAIRISON SCHEDULES (CONTINUED)

	Revenue	Expenses	Other Financing Sources/Uses	Net Change in Fund Balance
Special Appropriations				
Program Support Program	\$ 5,072,850	(3,414,238)	653,500	2,312,112
Child Support Program	1,108,531	(1,108,531)	-	-
Medical Assistance Program	165,398,576	(165,398,576)	-	-
Income Support Program	31,568,775	(31,559,484)	1,990,709	2,000,000
Behavioral Health Service	-	(55,000)	55,000	-
	<u>3,425,232,690</u>	<u>(4,198,908,598)</u>	<u>778,189,389</u>	<u>-</u>
Reclassifications	(8,713,035)	(201,138)	8,914,173	-
	<u>\$ 3,416,519,655</u>	<u>4,199,109,736</u>	<u>787,103,562</u>	<u>4,513,481</u>

**SUPPLEMENTAL INFORMATION**



STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF CASH BALANCES  
June 30, 2009

Following is a reconciliation of the amounts reflected by the bank and State Treasurer to the amounts reflected in the accompanying financial statements:

	Fund	State Treasurer/ Bank Balances	Reconciling Items	Department Balances
Cash on deposit with the State Treasurer				
General Fund	05200	\$ (10,781,838)	(509,256)	(11,291,094)
ARRA	80900	(61,952,821)	-	(61,952,821)
Data processing appropriations	90100	2,268,656	310,440	2,579,096
Income support - L Warrants	97400	2,549,800	-	2,549,800
Income support - N Warrants	97500	3,662,007	(6,594)	3,655,413
Medical assistance - P Warrants	97600	(36,604,859)	(344)	(36,605,203)
Child support enforcement - K Warrants	97800	2,049,747	226,610	2,276,357
		<u>\$ (98,809,308)</u>	<u>\$ 20,856</u>	<u>\$ (98,788,452)</u>
Other cash balances				
Petty cash		1,000		1,000
Wells Fargo Bank		57,774		57,774
Bank of America		-		-
<b>Total cash</b>		<u>\$ 58,774</u>		<u>\$ 58,774</u>

Collateralization of the cash balance presented here is monitored by the State Treasurer's Office.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF JOINT POWERS & OTHER GOVT AGREEMENTS  
Year Ended June 30, 2009

Name/Responsible Party	Program Description	Contract Number	Date of Agreement	Fiscal Agent & Audit Responsibility	Contract Amount	FY09 Contract Amt	Expanded Amount	Division
			Beginning	Ending	Amount	Contract Amt	Amount	
Aging & Long Term Services Department	D&E Waiver	05-630-8000-0007	8/13/2004	6/30/2010 HSD	\$ 12,000,000	\$ 2,050,000	\$ 2,050,000	MAD
Aging & Long Term Services Department	TANF - Gold Mentor	09-630-9000-0004	7/1/2008	6/30/2009 HSD	750,000	750,000	725,288	ISD
City of Albuquerque	ACT services	06-630-8000-0006	10/23/2005	6/30/2009 HSD	180,000	180,000	39,938	MAD
CYFD	Adolescent Assessment	09-630-7903-0089	3/10/2009	6/30/2009 HSD	24,600	24,600	12,000	BHSD
CYFD	Behavioral Hlth Services for Children	09-630-7903-0015	7/1/2008	6/30/2009 HSD	426,273	426,273	322,600	BHSD
CYFD	Domestic Violence	09-630-7903-0021	7/6/2008	6/30/2009 HSD	79,430	79,430	79,430	BHSD
CYFD	Domestic Violence	09-630-9000-0009	7/1/2008	6/30/2009 HSD	5,600,000	5,600,000	3,600,000	ISD
CYFD	Parent-Child program	09-630-9000-0080	7/1/2008	6/30/2009 HSD	20,000	20,000	20,000	ISD
CYFD	Protective Services	95-17	9/8/1994	Until Cancelled HSD	1,435,000	1,435,000	1,435,000	MAD
CYFD	TANF-Childcare	09-630-9000-0005	7/1/2008	6/30/2009 HSD	41,220,300	41,220,300	41,220,300	ISD
DD Planning Council	Admin costs for BabyNet	07-630-8000-0016	4/18/2007	1/31/2011 HSD	250,000	50,000	50,000	MAD
DFA	Share expense for Collective Bargaining	09-630-1000-0007	5/19/2009	7/30/2009 HSD	6,300	6,300	-	ASD
Department of Health	County Maternal and Child Health	05-630-8000-0008	7/1/2008	6/30/2012 HSD	561,048	561,048	561,048	MAD
Department of Health	Epidemiology statistics	09-630-7903-0017	7/1/2008	6/30/2009 HSD	125,000	125,000	125,000	BHSD
Department of Health	EPSDT	95-29	7/1/1995	Until Cancelled HSD	1,114,047	1,114,047	606,699	MAD
Department of Health	Family Infants Toddlers	96-32	7/1/1994	Until Cancelled HSD	18,000	18,000	8,382	MAD
Department of Health	Families First	96-32	7/1/1994	Until Cancelled HSD	550,000	550,000	402,969	MAD
Department of Health	LTSD-DHI waiver	630-8114-03-37 AI	1/1/2002	6/30/2009 HSD	21,934,015	10,423,515	9,930,688	MAD
Department of Health	Reimburse for Maximus fees	06-690-6000-6003	5/11/2006	6/30/2009 HSD	1,000,000	1,000,000	827,263	MAD-X
Department of Health	Nurse Aide Training and Competency Evaluation	96-22	2/8/1996	Until Cancelled HSD	1,067,262	1,067,262	1,061,011	MAD
Department of Health	Nutrition Education	09-630-9000-0084	11/19/2008	9/30/2009 HSD	153,085	153,085	43,682	ISD
Department of Health	OBRA (Soc Sec Act)	08-630-8000-0001	7/1/2007	6/30/2012 HSD	2,805,240	561,048	561,048	MAD
Department of Health	PASARR	82-14	7/1/1993	Until Cancelled HSD	512,919	512,919	339,666	MAD
Department of Health	Pregnancy Risk (PRAMS)	96-32	2/8/1996	Until Cancelled HSD	120,000	120,000	77,004	MAD
Department of Health	Refugee Health Screening	08-630-9000-0009	7/1/2007	6/30/2009 HSD	129,990	129,990	126,647	ISD
Department of Health	School Based Health	09-630-8000-0023	7/1/2008	6/30/2012 HSD	1,285,975	1,285,975	1,170,793	MAD-S
Department of Health	Substance Abuse Prevention (SAPT)	09-630-7903-0019	7/1/2008	6/30/2009 HSD	439,600	439,600	439,600	BHSD
Department of Health	Turquoise Lodge drug treatment center	08-630-7903-0019	7/2/2007	6/30/2009 HSD	1,431,916	715,958	715,958	BHSD
Department of Health	Vital Records & Statistics	06-630-6000-0009	7/1/2008	6/30/2012 HSD	280,000	70,000	63,290	CSED
Division of Voc. Rehab-PED	DD determination for cat. 04, 85, 90, 96,	09-630-8000-0079	7/1/2008	6/30/2011 HSD	495,000	165,000	135,610	MAD
Division of Voc. Rehab-PED	Disability Determination Cat. 43	05-630-8000-0069	7/1/2007	6/30/2010 HSD	980,440	310,852	292,744	MAD
Governor's Comm. on Disability	Remove barriers to emplmnt of disabled	08-630-8000-0024	9/25/2007	4/8/2009 HSD	150,000	50,000	17,955	MAD
Governor's Comm. on Disability	Remove barriers to emplmnt of disabled	09-630-8000-0103	4/8/2009	12/31/2011 HSD	181,500	21,290	14,168	MAD
NM Board of Nursing	Certification of Medication Aides	95-09	8/22/1994	Until Cancelled HSD	18,700	18,700	-	MAD
NM Commission on Status of Women	TANF	09-630-9000-0011	7/1/2008	6/30/2009 HSD	1,540,000	1,540,000	1,407,495	ISD
NM Mortgage Finance	Homeless Services	09-630-9000-0003	7/1/2008	6/30/2009 HSD	750,000	750,000	750,000	ISD
NM Mortgage Finance	LIHEAP	07-630-9000-0013	2/15/2007	9/30/2009 HSD	2,805,781	1,402,056	1,402,056	ISD
NM Mortgage Finance	LIHEAP	09-630-9000-0025	7/1/2008	6/30/2009 HSD	500,000	500,000	500,000	ISD
NM Mortgage Finance	LIHEAP	09-630-9000-0088	3/2/2009	9/30/2009 HSD	3,437,826	1,000,000	226,007	ISD
NMSU	Food Stamp Nutrition	09-630-9000-0024	7/1/2008	6/30/2009 HSD	3,016,292	3,016,292	2,239,768	ISD
NMSU	Strengthening Families	09-630-9000-0001	7/1/2008	6/30/2009 HSD	600,000	600,000	595,748	ISD
NMSU	TANF	09-630-9000-0013	7/1/2008	6/30/2009 HSD	10,618,495	10,618,495	10,614,553	ISD
NMSU	Uninsured population study	05-630-8000-0003	7/1/2004	6/30/2009 HSD	1,000,000	1,000,000	339,758	MAD
Public Education Dept	Improve mental health services	09-630-7903-0086	12/19/2008	6/30/2009 HSD	5,449	5,449	5,449	BHSD
Public Education Dept	School Based Health Services	06-630-8000-0006	7/19/2008	12/31/2012 HSD	30,665	30,665	30,665	MAD-S
Public Education Dept	TANF Pre-K program	09-630-9000-0008	7/1/2008	6/30/2009 HSD	1,000,000	1,000,000	1,000,000	ISD
Tax & Revenue Dept.	Tax refunds & rebates	09-630-9000-0104	5/26/2009	6/30/2009 HSD	22,000,000	22,000,000	16,000,000	ISD

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF JOINT POWERS & OTHER GOV'T AGREEMENTS (CONTINUED)  
Year Ended June 30, 2009

Name/Responsible Party	Program Description	Contract Number	Date of Agreement	Fiscal Agent & Audit Responsibility	Contract Amount	FY09 Contract Amt	Expended Amount	Division
			Beginning	Ending				
University of New Mexico	Alcoholism & Substance Abuse	09-630-7903-0032	7/2/2009	6/30/2009 HSD	20,000	20,000	19,800	BHSD
University of New Mexico	Envision N.M.	05-630-8000-0001	9/27/2005	6/30/2009 HSD	2,860,493	975,190	93,647	MAD
University of New Mexico	Behavioral Health model	09-630-7903-0082	11/10/2008	6/30/2009 HSD	20,000	20,000	20,000	MAD
University of New Mexico	Program for psychiatric needs of children	09-630-7903-0020	7/18/2008	6/30/2009 HSD	148,232	148,232	146,750	BHSD
University of New Mexico	Substance Abuse Prevention (SAPT)	08-630-7903-0004	7/5/2007	6/30/2009 HSD	526,958	263,479	260,844	BHSD
University of New Mexico	Survey mental health attitudes	09-630-7903-0018	7/1/2008	9/30/2008 HSD	64,944	64,944	62,623	BHSD
WorkForce Development	Utilize Services to Implement NMCEES	07-630-8000-0015	3/9/2007	12/30/2010 HSD	306,917	220,834	155,466	MAD
1st Judicial District Court	Child Support Hearing Officers	06-630-6000-0007 A3	5/10/2007	6/30/2009 HSD	1,249,638	333,556	333,556	CSED
2nd Judicial District Court	Child Support Hearing Officers	06-630-6000-0008 A3	5/10/2007	6/30/2009 HSD	3,389,524	896,241	896,241	CSED
3rd Judicial District Court	Child Support Hearing Officers	06-630-6000-0009 A3	7/1/2007	6/30/2009 HSD	1,526,950	427,113	427,113	CSED
7th Judicial District Court	Child Support Hearing Officers	06-630-6000-0010 A3	5/10/2007	6/30/2009 HSD	1,249,981	329,600	329,600	CSED
9th Judicial District Court	Child Support Hearing Officers	06-630-6000-0011 A3	5/10/2007	6/30/2009 HSD	1,710,680	510,590	510,590	CSED
11th Judicial Dist. Court	Child Support Hearing Officers	06-630-6000-0012 A3	6/22/2007	6/30/2009 HSD	1,232,904	337,921	337,921	CSED
13th Judicial Dist. Court	Child Support Hearing Officers	06-630-6000-0013 A3	5/10/2007	6/30/2009 HSD	1,182,649	310,979	310,979	CSED
5 Sandoval Indian Pueblos	LIHEAP	09-630-9000-0096	7/1/2008	6/30/2009 HSD	6,893	6,893	6,593	ISD
Jemez Pueblo	LIHEAP	09-630-9000-0099	7/1/2008	6/30/2009 HSD	5,033	5,033	5,033	ISD
Jicarilla Apache Nation	LIHEAP	09-630-9000-0097	7/1/2008	6/30/2009 HSD	6,568	6,568	6,568	ISD
Laguna Pueblo	LIHEAP	09-630-9000-0100	7/1/2008	6/30/2009 HSD	13,085	13,085	13,085	ISD
Nambe Pueblo	LIHEAP	09-630-9000-0101	7/1/2008	6/30/2009 HSD	5,158	5,158	5,158	ISD
Navajo Nation	Child support costs	09-630-6000-0083	7/3/2008	6/30/2009 HSD	40,000	40,000	40,000	CSED
Navajo Nation	TANF	09-630-9000-0007	7/1/2008	6/30/2009 HSD	218,000	218,000	218,000	ISD
Navajo Nation	SNAP-Ed	09-630-9000-0007	6/3/2009	6/30/2010 HSD	1,521,588	1,141,191	-	ISD
Pueblo of Zuni	LIHEAP	09-630-9000-0102	6/1/2009	6/30/2009 HSD	23,955	23,955	14,664	ISD
Pueblo of Zuni	TANF	08-630-9000-0021	7/1/2008	6/30/2009 HSD	4,216	4,216	-	ISD
Pueblo of Zuni	TANF	09-630-9000-0006	7/1/2008	6/30/2009 HSD	32,000	32,000	32,000	ISD
Alamogordo Schools	School Based Health Services	09-630-8000-0025	7/1/2008	6/30/2012 HSD	320,000	80,000	36,158	MAD-S
Albuquerque Schools	School Based Health Services	09-630-8000-0027	7/1/2008	6/30/2012 HSD	4,000,000	1,000,000	629,100	MAD-S
Artesia Public Schools	School Based Health Services	09-630-8000-0028	7/1/2008	6/30/2012 HSD	200,000	200,000	12,134	MAD-S
Aztec Municipal Schools	School Based Health Services	09-630-8000-0029	7/1/2008	6/30/2012 HSD	200,000	50,000	11,325	MAD-S
Belen School District	School Based Health Services	09-630-8000-0030	7/1/2008	6/30/2012 HSD	320,000	80,000	70,318	MAD-S
Bernalillo Public Schools	School Based Health Services	09-630-8000-0031	7/1/2008	6/30/2012 HSD	320,000	80,000	80,000	MAD-S
Bloomfield	School Based Health Services	09-630-8000-0032	7/1/2008	6/30/2012 HSD	300,000	75,000	10,712	MAD-S
Carlsbad	School Based Health Services	09-630-8000-0033	7/1/2008	6/30/2012 HSD	300,000	300,000	53,637	MAD-S
Central Consol. S.D.	School Based Health Services	09-630-8000-0034	7/1/2008	6/30/2012 HSD	300,000	20,000	20,000	MAD-S
Central REC #5	School Based Health Services	09-630-8000-0035	7/1/2008	6/30/2012 HSD	120,000	30,000	53,183	MAD-S
Chama	School Based Health Services	09-630-8000-0036	7/1/2008	6/30/2012 HSD	160,000	40,000	40,000	MAD-S
Clovis Municipal Schools	School Based Health Services	09-630-8000-0037	7/1/2008	6/30/2012 HSD	160,000	40,000	32,469	MAD-S
Cobre	School Based Health Services	09-630-8000-0038	7/1/2008	6/30/2012 HSD	120,000	30,000	-	MAD-S
Cuba	School Based Health Services	09-630-8000-0039	7/1/2008	6/30/2012 HSD	80,000	20,000	-	MAD-S
Dulce ISD	School Based Health Services	09-630-8000-0040	7/1/2008	6/30/2012 HSD	320,000	80,000	65,867	MAD-S
Espanola Municipal	School Based Health Services	09-630-8000-0041	7/1/2008	6/30/2012 HSD	480,000	120,000	120,000	MAD-S
Farmington Municipal	School Based Health Services	09-630-8000-0041	7/1/2008	6/30/2012 HSD	480,000	120,000	120,000	MAD-S

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF JOINT POWERS & OTHER GOV'T AGREEMENTS (CONTINUED)  
Year Ended June 30, 2009

Name/Responsible Party	Program Description	Contract Number	Date of Agreement		Fiscal Agent & Audit Responsibility	Contract Amount	FY09 Contract Amt	Expanded Amount	Division
			Beginning	Ending					
Gadsden ISD	School Based Health Services	09-630-8000-0042	7/1/2008	6/30/2012	HSD	1,200,000	300,000	192,197	MAD-S
Gallup/McKinley	School Based Health Services	09-630-8000-0043	7/1/2008	6/30/2012	HSD	280,000	70,000	-	MAD-S
Grants/Cibola	School Based Health Services	09-630-8000-0044	7/1/2008	6/30/2012	HSD	280,000	70,000	38,457	MAD-S
High Plains REC #3	School Based Health Services	09-630-8000-0045	7/1/2008	6/30/2012	HSD	600,000	150,000	104,600	MAD-S
Jemez Valley	School Based Health Services	09-630-8000-0047	7/1/2008	6/30/2012	HSD	80,000	20,000	14,528	MAD-S
Laguna	School Based Health Services	09-630-8000-0048	7/1/2008	6/30/2012	HSD	80,000	20,000	-	MAD-S
Las Cruces Schools	School Based Health Services	09-630-8000-0049	7/1/2008	6/30/2012	HSD	2,400,000	600,000	277,533	MAD-S
Las Vegas City Schools	School Based Health Services	09-630-8000-0050	7/1/2008	6/30/2012	HSD	200,000	50,000	4,719	MAD-S
Los Lunas Public Schools	School Based Health Services	09-630-8000-0051	7/1/2008	6/30/2012	HSD	1,400,000	350,000	265,612	MAD-S
Lovington	School Based Health Services	09-630-8000-0052	7/1/2008	6/30/2012	HSD	140,000	35,000	20,345	MAD-S
Mescalero	School Based Health Services	09-630-8000-0054	7/1/2008	6/30/2012	HSD	80,000	20,000	-	MAD-S
Mora Independent	School Based Health Services	09-630-8000-0055	7/1/2008	6/30/2012	HSD	80,000	20,000	-	MAD-S
Moriarty Schools	School Based Health Services	09-630-8000-0056	7/1/2008	6/30/2012	HSD	120,000	30,000	28,394	MAD-S
NM Assembly of Schools	School Based Health Services	09-630-8000-0057	2/7/2008	6/30/2009	HSD	3,680	3,680	3,680	MAD-S
NM School for Visually Impaired	School Based Health Services	09-630-8000-0057 A1	7/1/2008	6/30/2012	HSD	120,000	30,000	-	MAD-S
NM Teen Pregnancy	School Based Health Services	09-630-8000-0013	7/1/2008	6/30/2012	HSD	20,000	20,000	20,000	MAD-S
Pecos ISD	School Based Health Services	09-630-8000-0058	7/1/2008	6/30/2012	HSD	120,000	30,000	-	MAD-S
Pecos Valley REC # 8	School Based Health Services	09-630-8000-0059	7/1/2008	6/30/2012	HSD	200,000	50,000	22,654	MAD-S
Penasco ISD	School Based Health Services	09-630-8000-0060	7/1/2008	6/30/2012	HSD	80,000	20,000	-	MAD-S
Pojoaque ISD	School Based Health Services	09-630-8000-0061	7/1/2008	6/30/2012	HSD	80,000	20,000	-	MAD-S
Quetta ISD	School Based Health Services	09-630-8000-0062	7/1/2008	6/30/2012	HSD	80,000	20,000	-	MAD-S
REC #6	School Based Health Services	09-630-8000-0063	7/1/2009	6/30/2012	HSD	300,000	75,000	42,867	MAD-S
REC #7	School Based Health Services	09-630-8000-0064	7/1/2008	6/30/2012	HSD	300,000	75,000	66,638	MAD-S
REC #9	School Based Health Services	09-630-9000-0065	7/1/2008	6/30/2012	HSD	300,000	75,000	41,413	MAD-S
REC #10 (SW)	School Based Health Services	09-630-8000-0072	7/1/2008	6/30/2012	HSD	400,000	100,000	96,716	MAD-S
Rio Rancho Schools	School Based Health Services	09-630-8000-0066	7/1/2008	6/30/2012	HSD	400,000	100,000	83,165	MAD-S
Roswell ISD	School Based Health Services	09-630-8000-0067	7/1/2008	6/30/2012	HSD	800,000	200,000	74,715	MAD-S
Santa Fe Public Schools	School Based Health Services	09-630-8000-0068	7/1/2008	6/30/2012	HSD	200,000	50,000	30,939	MAD-S
Santa Rosa	School Based Health Services	09-630-8000-0069	7/1/2008	6/30/2012	HSD	120,000	30,000	-	MAD-S
Silver City Schools	School Based Health Services	09-630-8000-0070	7/1/2008	6/30/2012	HSD	200,000	50,000	24,953	MAD-S
Socorro	School Based Health Services	09-630-8000-0071	7/1/2008	6/30/2012	HSD	260,000	65,000	3,840	MAD-S
Taos Charter	School Based Health Services	09-630-8000-0073	7/1/2008	6/30/2012	HSD	40,000	10,000	-	MAD-S
Taos Municipal Schools	School Based Health Services	09-630-8000-0074	7/1/2008	6/30/2012	HSD	100,000	25,000	14,101	MAD-S
Tucumcari Municipal	School Based Health Services	09-630-8000-0075	7/1/2008	6/30/2012	HSD	100,000	25,000	15,219	MAD-S
Turquoise Trail	School Based Health Services	09-630-8000-0076	7/1/2008	6/30/2012	HSD	40,000	10,000	-	MAD-S
West Las Vegas Schools	School Based Health Services	09-630-8000-0077	7/1/2008	6/30/2012	HSD	160,000	40,000	21,703	MAD-S
Zuni	School Based Health Services	09-630-8000-0078	7/1/2008	6/30/2012	HSD	240,000	60,000	-	MAD-S
Eastern Plains Work-force Development Bd.	TANF	09-630-9000-0012	7/1/2008	6/30/2009	HSD	2,665,231	2,665,231	2,303,392	ISD
MRCOG	TANF transportation	09-630-9000-0002	7/1/2008	6/30/2009	HSD	670,000	670,000	640,298	ISD
State of Rhode Island	Child support lien services	09-630-6000-0016	8/5/2008	6/30/2009	HSD	16,000	16,000	8,536	CSED
State of South Carolina	Child support location services	09-630-6000-0014	7/1/2008	6/30/2009	HSD	36,170	36,170	36,170	CSED
University of Maryland	Assist REP for Medicaid	08-630-8000-0016	3/28/2008	12/31/2011	HSD	4,000,000	1,000,000	782,268	MAD

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
AGENCY FUND 978 - CHILD SUPPORT ENFORCEMENT AGENCY FUND  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended June 30, 2009

	June 30, 2008	Additions	Deletions	June 30, 2009
<b>ASSETS</b>				
Interest in the State Treasurer General Fund				
Investment Pool	\$ 2,319,948	114,512,728	(114,556,319)	2,276,357
Other receivables	598,904	411,688	(312,054)	698,538
Due from other state agencies	26,758	50	(26,758)	50
Due from external parties	105,430	-	(105,430)	-
	<hr/>			
<b>Total assets</b>	<b>\$ 3,051,040</b>	<b>114,924,466</b>	<b>(115,000,561)</b>	<b>2,974,945</b>
	<hr/>			
<b>LIABILITIES</b>				
Deposits held in trust for others	\$ 2,416,915	114,778,150	(114,917,926)	2,277,139
Due to other state agencies	51	-	(51)	-
Other Liabilities	598,122	113,531	(13,847)	697,806
Due to external parties	35,952	-	(35,952)	-
	<hr/>			
<b>Total liabilities</b>	<b>\$ 3,051,040</b>	<b>114,891,681</b>	<b>(114,967,776)</b>	<b>2,974,945</b>
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**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Expenditures
Department of Agriculture (USDA) Direct Programs:			
Food and Nutrition Services (FNS)			
Commodities Assurance (SAE)	10.560	12-35-3501	\$ 293,017
Food Nutrition Commodity Program (noncash)	10.569	None	8,740,819
Temporary Emergency Food Assistance Program (TEFAP)	10.568	xNM810813	430,990
Subtotal Food and Nutrition Services			<u>9,464,826</u>
Food Stamp Program			
Administration and SAVE	10.561	12-35-3501	26,933,929
Food Stamp Employment/Training Grant	10.561	12-35-3501	1,605,223
Food Stamp State Exchange	10.561	12-35-3501	2,685
Supplemental Nutrition Assistance Program	10.551*	58-3189-8-104	359,088,013
Subtotal Food Stamp Program			<u>387,629,850</u>
Total USDA			<u>397,094,676</u>
Department of Health and Human Services (DHHS):			
Family Support Administration Direct Programs:			
Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	30,359,668
Administration of Child Support Enforcement Program (ARRA)	93.563	G-XX-04-NM-4004	1,108,531
TANF	93.558	G-XX-04-NM-TANF	145,287,847
TANF (ARRA)	93.558	G-XX-04-NM-TANF	11,052,800
Low Income Energy Assistance Program (Title XXVI)	93.568	G-XX-B1-NM-LIEA	21,922,265
Total Family Support Administration Direct Programs			<u>209,731,111</u>
Family Support Administration Pass-Through Programs - Community Service Block Grant			
	93.569	01-XX-B1-NM-COSR	3,715,532
Administration for Children, Youth and Families			
Direct Programs - Refugee Resettlement Program (CMA)	93.566	G-XX-04-NM-6100	596,694
Refugee Cuban/Haitian	93.576	90RQ0017/02	85,609
Refugee School Impact	93.576	90ZE0079/01	123,643
Refugee Resettlement Program (SS)	93.566	G-XX-04-NM-6110	160,991
Total			<u>966,937</u>
Office of Health Care Finance Administration Direct Programs:			
Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	2,276,237,030
Medical Assistance Payments Title XIX (ARRA)	93.778	05-XX-05-NM-5028	165,398,576
Administration and Training (Title XIX)	93.778	05-XX-05-NM-5048	63,733,137
Children's Health Insurance Program SCHIP	93.767	05-XX05-NM5021	221,675,971
Total Office of Health Care Finance Administration Direct Programs			<u>2,727,044,714</u>
Office of Health Care Finance Administration Pass-Through Program - Title XIX Certification			
	93.777	05-XX-05-NM-5001	1,176,273

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Expenditures
<b>Centers for Medicare &amp; Medicaid Services</b>			
Healthy Start GrowSmart	93.778	None	\$ 18,548
E Prescribe	93.793	0705NMTRA1/01	26,590
E Health	93.793	0705NMTRA2/01	13,288
Working Disabled	93.768	5-00-00-A9-1221	944,398
Total			1,002,824
<b>Substance Abuse and Mental Health Services Administration:</b>			
<b>Center for Mental Health Services (CMHS)</b>			
Community Mental Health Services Block Grant	93.958	3B09SM010037-07S2	2,263,311
Programs for Assistance in Transition from Homelessness	93.150	2X06SM060032-07	299,928
Dev. & Implement of Admin & Clinical Services	93.243	SM056588	522,152
Behavioral Health Collaborative of Santa Fe	93.243	1H79M058665-01	139,986
Subtotal Mental Health Services			3,225,377
<b>Statewide Behavioral Health System Transformation</b>			
Pass-through Programs from Department of Finance and Administration	93.243	U79SM57464-03	1,076,974
<b>Center for Substance Abuse Treatment (CSAT)</b>			
Substance Abuse Treatment and Rehabilitation	93.959	BINMSAPT-XX	8,730,109
Access to Recovery	93.275	T1019504	4,800,616
Screening, Brief Intervention, Referral and Treatment	93.243	T1015958	710,621
Data Infrastructure Grant	93.243	SM058118	24,730
Subtotal Substance Abuse Treatment			14,266,076
<b>Total Substance Abuse and Mental Health Administration</b>			18,568,427
<b>Total DHHS</b>			2,962,205,818
<b>Total Federal Assistance</b>			\$ 3,359,300,494

\* The reported expenditures for benefits under the Supplemental Nutrition Assistance program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The mechanism used by USDA to make these funds available to States does not enable a State to validly disaggregate the regular and Recovery Act components of this figure. At the national aggregate level, however, Recovery Act funds account for approximately 15 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2009.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

**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 \$8,740,819. 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 state of New Mexico Human Services Department provided federal awards to subrecipients as follows:

Program/Subrecipient	Total paid
<b>Food Stamp Program (CFDA #10.561):</b>	
Children Youth & Families Dept	\$ 41,000
New Mexico State University	1,137,731
Eastern Plains Council of Governments	106,848
<b>TOTAL:</b>	<b>1,285,579</b>

**Temporary Emergency Food Assistance Program (CFDA #10.569)**

NM Association of Food Banks	629,190
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**Medicaid (CFDA #93.778)**

Agency on Aging	2,092,910
Alamogordo Public Schools	36,158
Albuquerque Public Schools	629,100
Artesia Public Schools	12,134
Aztec Municipal School District	11,325
Belen Consolidated Schools	70,318
Bernalillo Public Schools	80,510
Bloomfield Schools	10,712
Carlsbad Municipal Schools	53,637
Central Consolidated Schools	37,077
Central Region Educational Cooperative	53,183
Children Youth and Families Department	1,435,000
Clovis Municipal Schools	40,000
Cobre Consolidated Schools	32,469
Department of Education	30,665
Department of Health	14,148,049
Department of Vocational Rehabilitation	428,355
Disability Developmental Planning Council	50,000
Espanola Municipal Schools	65,867
Farmington Municipal Schools	120,000
Gadsden Independent School District	192,197
Grants/Cibola County Schools	38,457
High Plains Regional Center Coop	104,600
Jemez Valley Schools	14,528
Las Cruces School District #2	277,533
Las Vegas City Schools	4,719
Los Lunas Schools	265,612
Lovington Municipal Schools	20,345



STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Moriarty Municipal Schools	\$	28,394
New Mexico State University		3,622
NM Assembly on School		49,680
Pecos Valley Regional Education Center #8		22,654
Regional Educational Coop		41,413
Regional Educational Center #6		48,009
Regional Educational Center #7		66,638
Rio Rancho Public Schools		83,165
Roswell Independent Schools		74,715
Santa Fe Public Schools		30,939
Silver City Public School		24,593
Socorro Consolidated Schools		3,840
Southwest Regional Education Center		96,716
Taos Municipal Schools		14,101
Tucumcari Municipal Schools		15,219
West Las Vegas School District		21,703
University of New Mexico		471,002
		<hr/>
<b>TOTAL:</b>		<b>21,451,863</b>
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<b>Title XIX Certification (CFDA #93.777)</b>		
Department of Health		1,016,011
		<hr/>
<b>TANF (CFDA #93.558)</b>		
Aging and Long Term Services		725,288
Children Youth & Families Dept.		44,219,300
Commission on Status of Women		1,427,227
NM State University		10,076,571
		<hr/>
<b>TOTAL:</b>		<b>56,448,386</b>
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<b>Refugee Resettlement Program (CFDA #93.566)</b>		
Catholic Charities		176,000
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<b>Refugee Cuban/Haitian Program (CFDA #93.576)</b>		
Catholic Charities		50,000
		<hr/>
<b>Refugee School Impact Program (CFDA #93.576)</b>		
Catholic Charities		123,643
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<b>Community Services Block Grant (CFDA #93.569)</b>		
Eastern Plains CAA		205,177
Economic Council Helping Others		252,680
Empowering Our Communities In		197,191
Help - New Mexico		1,313,915
Midwest NM Cap		456,367
Open Hands		79,486
Southeast NM Comm Action Agency		483,159
		<hr/>
<b>TOTAL:</b>		<b>2,987,975</b>
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STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

<b>Working Disabled (CFDA #93-768)</b>		
Department of Vocational Rehabilitation		\$ 292,744
Governor's Commission on Disability		32,123
Office of Workforce Training & Development		155,466
	<b>TOTAL:</b>	<u>480,333</u>
<b>Low-Income Home Energy Assistance (CFDA #93.568)</b>		
NM Mortgage Finance Authority		<u>750,000</u>
<b>Community Mental Health Services Block Grant (CFDA #93.958)</b>		
Children Youth & Families Dept		322,600
Life Link		279,474
	<b>TOTAL:</b>	<u>602,074</u>
<b>Programs for Assistance in Transition from Homelessness (CFDA #93.150)</b>		
Life Link		60,741
St. Martin's Center		143,760
	<b>TOTAL:</b>	<u>204,501</u>
<b>Data Infrastructure Grant (CFDA #93.243)</b>		
Life Link		<u>9,070</u>
<b>Substance Abuse Prevention and Treatment (CFDA #93.959)</b>		
Department of Health		1,080,600
Life Link		318,545
	<b>TOTAL:</b>	<u>1,399,145</u>
<b>Behavioral Health of Santa Fe Collaborative Grant (CFDA #93.243)</b>		
Life Link		<u>41,659</u>
	<b>TOTAL</b>	<u>\$ 87,655,429</u>

**SINGLE AUDIT REPORTS**

**Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
And  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, and each major fund of the State of New Mexico Human Services Department (Department), as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 9, 2009. We have also audited the fiduciary fund as of June 30, 2009 and the budgetary comparison schedules presented as required supplemental information for the year ended June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting as item 09-01.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We noted certain matters that are required to be reported under Government *Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 09-06 and 09-07.

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

This report is intended solely for the information and use of the Department's management, the New Mexico State Auditor's Office, Department of Finance Administration, and Legislative Finance Committee and applicable federal awarding agencies and pass through-entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 9, 2009

**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

Compliance

We have audited the compliance of New Mexico Human Services Department (Department) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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, *Audit of States, Local Governments, and Not-for-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. Our audit does not provide a legal determination on the Department's compliance with those requirements.

Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 09-02, 09-03, 09-04 and 09-05.

#### Internal Control Over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficient is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote



Ms. Pamela Hyde, Cabinet Secretary  
New Mexico Human Services Department  
Santa Fe, New Mexico  
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Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-03, 09-05 to be significant deficiencies.

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

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

This report is intended solely for the information and use of the Department's management, federal awarding agencies and pass-through entities, the New Mexico State Auditor's Office, Department of Finance Administration, and Legislative Finance Committee and is not intended to be and should not be used by anyone other than those specific parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 9, 2009

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(s) identified that are not considered to be material weakness(es)?   x   Yes \_\_\_\_\_ None Reported

Non-compliance material to financial statements noted? \_\_\_\_\_ Yes   x   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(s) identified that are not considered to be material weakness(es)   x   Yes \_\_\_\_\_ None reported

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

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

**Identification of Major Program**

CFDA Number	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families
93.777/93.778	Medicaid Cluster
83.563	Child Support Enforcement
93.568	LIHEAP DHHS Family Assistance
93.767	CHIP
10.551/10.561	Supplemental Nutrition Assistance Program Cluster of "SNAP Cluster"

Dollar threshold used to distinguish between type A and type B programs \$   10,077,901  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   x   No

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINANCIAL STATEMENT FINDINGS**

**FS 09-01 Child Support Enforcement Fund Reconciliation (Significant Deficiency)**

CONDITION

In our testing of the Fund 978 Child Support Enforcement Fund Reconciliation, we noted that the undistributed receipts balance is not reconciled between the Child Support Enforcement System (CSES) and the general ledger, SHARE. Also, we were unable to agree the undistributed receipts balance in SHARE as of June 30, 2009 to a report from CSES. The Department reconciles the daily receipts and distribution activity on a daily, monthly, and annual basis. We noted the current year annual reconciliation of activity had an unreconcilable difference of \$126,217.

CRITERIA

Sound internal controls include reconciling balances to ensure that all activity has been posted correctly, errors are detected and account balances are accurately reported.

EFFECT

There is an increased likelihood of errors and fraud going undetected.

CAUSE

We noted system limitations inhibit the Department's ability to reconcile activity and ending balance. This is due to the CSES system not being able to produce reports when needed.

RECOMMENDATION

We recommend the Department develop a process to reconcile the undistributed receipts balance between the CSES system and the general ledger periodically.

MANAGEMENT RESPONSE

Management concurs. The Administrative Services Division staff will work with Information Technology Division staff to develop a detail CSES report of undistributed receipts. The report will identify the Child Support case; date receipt received; and amount of undistributed receipts at month-end. The report will be reviewed on a monthly basis and reconciled to identify timing differences that are caused by a one day lag in posting receipts to CSES and exceptions such as the CSES being unavailable for posting.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

09-02 Medicaid Allowable Costs/ Cost Principles: Overpayment (Federal Compliance)

**Federal Program:**

Medical Assistance Payments – U.S. Department of Health and Human Services, CFDA 93.777/93.778, Grant No. 05-XX-05-NM-5001/05-XX-05-NM-5028/05-XX-05-NM-5048, Award Period, October 1, 2008 – September 30, 2009.

CONDITION

During our testwork of overpayments, we noted that the Department is reporting, on their Form CMS-64, actual overpayments collected and not overpayments identified. In addition, we noted that the Department is reporting, on their Form CMS-64, overpayments more than 60 days after being identified. The overpayments that should have been reported totaled \$275,238.

CRITERIA

42 CFR 433.300

(a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.

(b) Section 1903(d)(2) (C) and (D) of the Act, which provides that a State has 60 days from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 60 days, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

42 CFR 433.320 (a)

(1) The agency must refund the Federal share of overpayments that are subject to recovery to CMS through a credit on its Quarterly Statement of Expenditures (Form CMS-64).

(2) The Federal share of overpayments subject to recovery must be credited on the Form CMS-64 report submitted for the quarter in which the 60-day period following discovery, established in accordance with Sec. 433.316, ends.

(3) A credit on the Form CMS-64 must be made whether or not the overpayment has been recovered by the State from the provider.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-02 Medicaid Allowable Costs/ Cost Principles: Overpayment (Federal Compliance-Continued)**

**EFFECT**

It is possible that the Federal government will reduce the funding for the New Mexico Medicaid program, which may have a significant effect on the operations of the program.

**CAUSE**

The controls surrounding the overpayment process are not adequately designed.

**QUESTIONED COSTS**

The total amount of overpayments not reported was \$275,238 of which \$42,394 originated in 2009.

**RECOMMENDATION**

We recommend that the Department design and implement procedures for the overpayment process in order to properly report all overpayments discovered within 60 days regardless of whether the overpayment was collected.

**MANAGEMENT RESPONSE**

Management agrees. The Grants Management Bureau will establish a comprehensive review template of Medicaid overpayments to ensure that the amounts reported are accurate and in compliance with federal requirements. The review template will be completed by two levels of management and will be completed prior to certification of the CMS-64.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-03 Medicaid Eligibility (Federal Compliance and Significant Deficiency)**

**Federal Program:**

Medical Assistance Payments – U.S. Department of Health and Human Services, CFDA 93.777/93.778, Grant No. 05-XX-05-NM-5001/05-XX-05-NM-5028/05-XX-05-NM-5048  
Award Period, October 1, 2008 – September 30, 2009.

Medicaid – Eligibility

**CONDITION**

During our testwork for Medicaid eligibility, we noted the following two issues out of twenty-five files we tested:

- File 1: A notification letter to recertify was mailed to the client on May 29, 2009 requesting them to recertify by June 8, 2009 or the case would be closed. There was no indication in the file that the client recertified; however, the client was still receiving benefits as of June 30, 2009. Subsequent to us notifying the Department of this issue, they promptly closed the case with a benefit end date of July 31, 2009.
- File 2: We noted that in the ISD2 system a recertification was performed for the period from April 2008 – March 2009, however, based on our examination of the case file, we were unable to locate documentation for this recertification. In addition, a recertification was due for the period starting April 2009, however, there was no evidence of recertification in the file and the client continued to receive benefits through July 1, 2009. Also, based on documentation in the case file, in October 2008, the client applied for benefits as part of another federal program, in which their income increased to \$1,274 a month. When taking into consideration certain exclusions and disregards, their income was above the income standards for category 45 (specified low income Medicare beneficiaries).

**CRITERIA**

**NMAC 8.200.430.9 (C)(1)**

An applicant/recipient's failure to provide documentation or to take required action, results in a decision that eligibility does not exist.

**NMAC 8.245.500.12**

Income standards for this category are at least 100 percent but no more than 110 percent of the federal income poverty guidelines. The federal income poverty guidelines are adjusted annually, effective April 1. See Section MAD-520, Income Standards and Section SSI-521,

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-03 Medicaid Eligibility (Federal Compliance and Significant Deficiency-Continued)**

**CRITERIA (CONTINUED)**

Supplemental Security Income Methodology [now 8.200.520 NMAC, Income Standards and 8.215.500.19 NMAC, Income Standards] for information on exclusions, disregards, and countable income. Effective January 1, 1995 the upper SLIMB income limit will be 120% of the current federal poverty income level. Verification of income must be documented in the case file.

**EFFECT**

Medicaid clients who may be ineligible are continuing to receive benefits which may lead to unallowable costs.

**CAUSE**

There was a breakdown of the internal controls surrounding the eligibility review procedures that were designed to detect the instances noted in this finding.

**QUESTIONED COSTS**

Unknown

**RECOMMENDATION**

We recommend that the Department perform a review of its annual recertification's to ensure that the proper documentation is obtained from the client and the information is entered correctly in ISD2. In addition, we recommend that the Department consider reviewing their internal control procedures over the eligibility process to ensure that the likelihood of these two instances occurring in the future is reduced.

**MANAGEMENT RESPONSE**

Management concurs.

File 1: NW Bernalillo County Medicaid recertification. - The client was sent a request for recertification with the due date of June 8, 2009 but when the client didn't respond the county office did not close the case.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-03 Medicaid Eligibility (Federal Compliance and Significant Deficiency-Continued)**

**MANAGEMENT RESPONSE (CONTINUED)**

File 2: Cibola County QMB case - County did not close the category 45 SLMB in a timely manner and there was no application or recertification to support keeping the case open.

Management has recognized the problem with categories 40 and 45; ISD is developing a new recertification notice that will be processed by a central unit in Santa Fe. This unit is comprised of new ISD staff that have been hired with ARRA funding. The unit will be combined with the current CAP unit. HSD is also working with ALTSD in seeking a grant to fund the project. It is anticipated that this will be implemented in January 2010.



**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-04 Medicaid Allowable Costs/ Cost Principles: Stale Dated Warrants (Federal Compliance)**

**Federal Program**

Medical Assistance Payments – U.S. Department of Health and Human Services, CFDA 93.777/93.778, Grant No. 05-XX-05-NM-5001/05-XX-05-NM-5028/05-XX-05-NM-5048, Award Period, October 1, 2008 – September 30, 2009.

**CONDITION**

During our audit, we noted that the Department was not properly reporting and refunding identified stale dated warrants on the Form CMS 64. The stale dated warrants identified encompass the state fiscal periods of 2007, 2008 and 2009 totaling \$730,557.

**CRITERIA**

**42 CFR 433.40 (c)**

Refund of Federal financial participation (FFP) for uncashed checks—(1) General provisions. If a check remains uncashed beyond a period of 180 days from the date it was issued; i.e., the date of the check, it will no longer be regarded as an allowable program expenditure. If the State has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received. (2) Report of refund. At the end of each calendar quarter, the State must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State agency must refund all FFP that it received for uncashed checks by adjusting the Quarterly Statement of Expenditures for that quarter. If an uncashed check is cashed after the refund is made, the State may file a claim. The claim will be considered to be an adjustment to the costs for the quarter in which the check was originally claimed. This claim will be paid if otherwise allowed by the Act and the regulations issued pursuant to the Act. (3) If the State does not refund the appropriate amount as specified in paragraph (c)(2) of this section, the amount will be disallowed.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-04 Medicaid Allowable Costs/ Cost Principles: Stale Dated Warrants (Federal Compliance-Continued)**

**EFFECT**

Stale dated warrants are not being properly identified and refunded to the federal government.

**CAUSE**

The Department's accounting system is unable to track stale dated warrants at this time and the Department has not developed an effective process to properly identify stale dated warrants during fiscal year 2009.

**QUESTIONED COSTS**

Total stale dated warrants were \$730,557 of which \$112,221 related to the 2009 fiscal year.

**RECOMMENDATION**

We recommend that the Department work toward establishing electronic payments with their vendors, which will enable the Department to track payments more efficiently and significantly decrease the number of stale dated warrants. In addition, we recommend that the Department design an effective process that will enable them to identify and report stale dated warrants within the required timeframe.

**MANAGEMENT RESPONSE**

Management agrees. The state-wide accounting system SHARE does not have the ability to stale date warrants. HSD continues to work in conjunction with Bank of America and the State Treasurer's Office to identify stale dated P warrants and cancel the warrants in compliance with the federal requirements. The related accounting entries will be completed by the final close of SFY09 and the prior quarter adjustments to the CMS-64 will be reported in the quarter-ending September 30, 2009 report. HSD will request a file from Bank of America on a quarterly basis to identify stale dated warrants, the adjusting entries on the general ledger and the CMS-64 within 90 days of the last month in each quarter.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-05 Temporary Assistance for Needy Families (TANF) Non Cooperation Notification  
(Federal Compliance and Significant Deficiency)**

**Federal Program:**

U.S. Department of Health and Human Services,  
Temporary Assistance for Needy Families - CFDA 93.558  
Grant No. G-0802NMTANF, Award Period, October 1, 2007– September 30, 2008  
Grant No. G-0902NMTANF Award Period, October 1, 2008 – September 30, 2009

**CONDITION**

The determination of noncompliance with child support is made by the Child Support Enforcement Division (CSED). The conciliation and sanctioning process for child support noncompliance is initiated by the Income Support Division (ISD) upon receipt of notice from CSED that the participant or applicant has failed to cooperate. During our test work of the TANF Child Support Non-Cooperation compliance requirement, we noted three out of twenty-five cases tested where the communication of noncompliance was not received promptly by the ISD. The timing was as follows:

Date CSED made determination	Date ISD received Communication
March 10, 2009	June 9, 2009
March 6, 2009	July 6, 2009
March 6, 2009	July 6, 2009

**CRITERIA**

Per CFR 45 Section 264.30 (b) If the IV-D agency determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with §260.52 of this chapter, then the IV-D agency must notify the IV-A agency promptly.

Sound internal controls should include the performance of timely communication once the determination that noncompliance has occurred to help minimize the extent of errors or potential overpayment of TANF benefits.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-05 Temporary Assistance for Needy Families (TANF) Non Cooperation Notification  
(Federal Compliance and Significant Deficiency-Continued)**

**EFFECT**

There is an increased risk of error or overpayment due to the manual process and the delay in communication between CSED and ISD.

**CAUSE**

Once noncompliance is determined by Child Support Enforcement Division, the noncompliance is logged into CSES and then a 606 memo is prepared and sent to the Income Support Division field office. The 606 process is a manual interface.

**QUESTIONED COSTS**

None

**RECOMMENDATION**

We recommend that the Department develop an automated system to initiate or flag the need for conciliation or sanctions when the Child Support Enforcement Division determines noncompliance. In addition, procedures should be developed to monitor and insure the communication of 606 memos are made timely.

**MANAGEMENT RESPONSE**

Management Concur.

CSED and ISD recognized a weakness in the conciliation and sanctioning process for child support noncompliance that is initiated by ISD upon receipt of notice from CSED that the participant or applicant has failed to cooperate. As a result both divisions developed additional internal controls during the course of FY 2009 in order to enhance the performance of timely communication once the determination was made that noncompliance has occurred to help minimize the extent of errors or potential overpayment of TANF benefits. This included the revision of the review process for the monthly 606 report and also the creation of a policy that enhances communication between the divisions. (Refer to Joint transmittal CSED IPP-09-01 and ISD IPP-09-06 released May 5, 2009.)

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**09-05 Temporary Assistance for Needy Families (TANF) Non Cooperation Notification  
(Federal Compliance and Significant Deficiency-Continued)**

MANAGEMENT RESPONSE (CONTINUED)

In addition, ISD has included in the design of the future ISD2R system the ability to initiate conciliation or sanctions when the Child Support Enforcement Division determines noncompliance to insure the timely processing of information from the 606 reports. This action should address the recommendation from Moss Adams for an automated system to initiate or flag the requirement for conciliation or sanctions when CSED determines noncompliance, as well as the developments of procedures to monitor the timely and accurate process of all required documents.

STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009

**D. STATE COMPLIANCE**

**09-06 Travel & Per Diem (State Compliance)**

CONDITION

During our testwork over travel and per diem, we noted that in one out of 10 transactions tested, the reimbursement for the number of miles traveled was incorrect.

CRITERIA

NMAC 2.42.2.11

**B. Rate:** Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows:

- (1) unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle;

**D. Privately owned automobile:** For conveyance in the discharge of official duties by privately owned automobile, mileage accrued shall be reimbursed at the rate set forth in this section as follows:

- (1) pursuant to the mileage chart of the official state map published by the state highway and transportation department for distances in New Mexico and the most recent edition of the Rand-McNally road atlas for distances outside of New Mexico

EFFECT

The incorrect reporting of the number of miles traveled resulted in an excess payment of approximately \$22.

CAUSE

The administrator who completes reimbursement requests does so for two separate field offices, which caused them to unknowingly request mileage reimbursement from the incorrect field office. In addition, there was a breakdown in the review and approval process that allowed this transaction to be processed.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. STATE COMPLIANCE (CONTINUED)**

**09-06 Travel & Per Diem (State Compliance) – (Continued)**

RECOMMENDATION

We recommend that all travel requests follow the Per Diem and Mileage Act when paying per diem and travel reimbursements. We also recommend that the Department reevaluate their current procedures in order to ensure that the proper amounts are being reported and reimbursed to employees.

MANAGEMENT RESPONSE

Management Concur. The supporting documentation for the single transaction resulting in the finding had conflicting information which was missed when the document was audited. The mileage claimed on the travel schedule from Las Vegas to Los Lunas matched the Rand McNally mileage estimated distance of 143 miles. When the auditor calculated the mileage it was correct based on 143 miles. The error in this document was that the Rand McNally estimate and mileage on the voucher were incorrect as the travel was from Espanola to Los Lunas, not Las Vegas to Los Lunas. Travel reimbursements undergo extensive reviews and approvals to provide a high degree of assurance that vouchers and ISTE's are correct (i.e. review and approval by the supervisor, review and approval by the accounts payable staff, and review and approval by the DFA auditor); however errors may still occur. Taking into consideration the extensive review process, management feels confident that the mileage oversight was an isolated and rare occurrence. Staff has been instructed to review and match all supporting documentation as part of the pre-audit process in accounts payable. The item noted on this exception has been addressed and corrected by the Department.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. STATE COMPLIANCE (CONTINUED)**

**09-07 Information Technology – User Account Management (State Compliance)**

**CONDITION**

While the organization does have controls for automatically disabling inactive accounts, it was noted that there is no formal process for regularly reviewing user access, including permissions, to critical systems.

**CRITERIA**

Per the State of NM Statewide Guideline “Enterprise IT Security Policy”, S-GUIDE-002.003, “The State of New Mexico shall securely and economically protect its business functions, including public access to appropriate information and resources, while maintaining compliance with the legal requirements established by existing Federal and State statutes pertaining to confidentiality, privacy, accessibility, availability, and integrity.

Per NIST Publication 800-53A Security Assessments: Tools for Measuring the Effectiveness of Security Controls, “The selection and implementation of security controls are critical decisions for protecting the security of an organization’s information and information systems. Security controls are the management, operational, and technical safeguards or countermeasures that protect the confidentiality, integrity, and availability of an information system and its information”. This publication is listed in the HSD System Security Plan as an applicable regulation.

Without proper documentation, management is not assured that its policies and procedures are being carried out.

**EFFECT**

A computer-based accounting system requires effective general and application controls in order to ensure that assets are safeguarded and that transactions are recorded in accordance with management’s authorization. Inadequate process documentation may result in sensitive and confidential information being accessible by unauthorized individuals.



**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**D. STATE COMPLIANCE (CONTINUED)**

**09-07 Information Technology – User Account Management (State Compliance-Continued)**

CAUSE

We noted during discussions with Information Technology Division personnel that the Department is currently in the draft stage of documenting their User Account Management Process. However, they have not had sufficient time to meet with their vendor and other state agencies to finalize the process.

RECOMMENDATION

We recommend that the Organization continue to develop its documentation of the User Account Management and to review user listing and permissions regularly to ensure that access rights remain appropriate for each person's job responsibilities. This manual should include specific definitions, standard forms and establish timing, and examples of the requirements.

MANAGEMENT RESPONSE

At present the Department has a draft of the HSD System Security Policy. This document should address the items noted in the recommendation from Moss Adams. In addition, the Department has purchased a Microsoft Active Directory tool which is sold by Javalina. In keeping with Capability Maturity Model Index standards, ITD created a job instruction procedure for running the Microsoft Tool to disable user accounts from the Active directory. The Javalina tool was executed in compliance with the Job Instruction (JI) on the network and we removed all orphaned accounts on 08/21/09. The executed JI checklist is filed with the ITD security officer as an artifact of the process. ITD is also working on Job Control Language (JCL) for the mainframe that will disable and delete user accounts that have no activity over 90 days. The HSD System Security Policy & JCL is a live document and as such will be under continual review and update.

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2009**

06-02	Medicaid Hospital Cost Reports	Resolved
06-03	Medicaid Drug Rebate Collections	Resolved
07-10	TANF –Sanctioned- Penalty for Refusal to Work	Resolved
08-01	Information Technology-User Account Management	Resolved
08-02	Information Technology-Network Security	Resolved
08-03	Temporary Assistance for Needy Families (TANF) Eligibility	Resolved
08-04	Temporary Assistance for Needy Families (TANF) Child Support Non-Cooperation	Resolved
08-05	Low Income Home Energy Assistance Program (LIHEAP) Eligibility	Resolved
08-06	Access to Recovery-Level of Effort	Resolved

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT  
EXIT CONFERENCE  
Year Ended June 30, 2009**

The exit conference for the fiscal year 2009 audit of the New Mexico Human Services Department was held on December 7, 2009. The following individuals were present at the exit conference:

**From the Human Services Department:**

Danny Sandoval, Deputy Director, Administrative Services Division  
Mark Reynolds, Acting General Counsel  
Katie Falls, Acting Secretary  
Charissa Saavedra, Deputy Secretary  
Vicky Groskinsky, Bureau Chief, Internal Audit, Office of the Inspector General  
Helen Nelson, Acting Director, Income Support Division  
Terri L. Gomez, Chief Information Officer/Director, Information Technology Division  
Julie B. Weinberg, Deputy Director, Medical Assistance Division  
Elaine Olah, Chief Financial Officer/Director, Administrative Services Division  
Donna Sandoval, Deputy Director, Administrative Services Division  
Daryl Schwebach, Deputy Secretary for Finance and Administration  
Martin Ortega, Bureau Chief, Compliance and Financial Systems Bureau  
Paula McGee, Compliance Officer, Medical Assistance Division,  
Marilyn Martinez, Manager, Quality Improvement Section, Income Support Division  
Michael Rogers, Deputy Director, Income Support Division  
Lupita Capelli, Bureau Chief, Quality Assurance & Staff Development, Child Support Enforcement Division  
Vida Tapia-Sanchez, Bureau Chief, Policy & Program Development, Income Support Division  
Randy Scott, Inspector General, Human Services Department  
Ted Roth, Deputy Director, Income Support Division  
Robert Chavez, Finance Manager, Behavioral Health Services Division  
Corinne Jameson, Human Resources Director, Office of Human Resources

**From Moss Adams LLP:**

Larry Carmony, Partner  
Jason Galloway, Manager  
Brandon Solwick, Senior

The financial statements and notes to the financial statements were prepared with the assistance of Moss Adams LLP.