

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT**

FINANCIAL STATEMENTS

JUNE 30, 2011

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
OFFICIAL ROSTER**

June 30, 2011

Name	Title
Sidonie Squier	Cabinet Secretary
Charissa Saavedra	Deputy Secretary
Brent Earnest	Deputy Secretary
Raymond Mensack	General Counsel
Danny Sandoval	Acting Director, Administrative Services
Donna Sandoval	Deputy Director, Administrative Services
Ted Roth	Acting Director, Income Support
Penny Jimerson	Deputy Director, Income Support
Stephen Klump	Acting Director, Child Support Enforcement
Kathleen Valdes	Deputy Director, Child Support Enforcement
Julie Weinberg	Director, Medical Assistance
Bob Beardsley	Deputy Director, Medical Assistance
Linda Roebuck	Director Behavioral Health Services
Harrison Kinney	Deputy Director Behavioral Health Services
Brian Pietrewicz	Acting Chief Information Officer
Eluid Martinez	Deputy Director, Information Technology Division
Kristina Lawson	Deputy Director, Information Technology Division
Randy Scott	Inspector General
Corinne Jameson	Human Resources Manager

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Report of Independent Auditors

Ms. Sidonie Squier, 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, and each major fund of the New Mexico Human Services Department (Department) as of and for the year ended June 30, 2011, 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, 2011 and the budgetary comparison schedules presented as required supplemental information for the year ended June 30, 2011, 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 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 of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not,

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New Mexico Human Services Department
Santa Fe, New Mexico
and
Mr. Hector H. Balderas,
New Mexico State Auditor
Santa Fe, New Mexico

present fairly the financial position of the State of New Mexico as of June 30, 2011, the changes in its financial position 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, 2011, 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, 2011, 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, 2011 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, 2011, 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 16 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

Ms. Sidonie Squier, Cabinet Secretary
New Mexico Human Services Department
Santa Fe, New Mexico
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New Mexico State Auditor
Santa Fe, New Mexico

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. In addition, the schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements referred to above. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in all material respects in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
December 9, 2011

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011. 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. Notes to the Basic Financial Statements, and
4. Budgetary Comparison Statements.

Department-Wide Financial Statements

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

The *Department-Wide Statement of Net Assets* reports the assets of the Department and the corresponding claims and liabilities against those assets at June 30, 2011. 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 2011 fiscal year.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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 Services (CMS) program administered by the U.S. Department of Health and Human Services (DHHS). The behavioral health services programs are funded by the DHHS Substance Abuse and Mental Health Services Administration (SAMHSA), Center for Substance Abuse Treatment (CSAT) and the State of New Mexico. Financial assistance programs are funded by the U.S. Department of Agriculture, the DHHS Administration for Children and Families, and the State of New Mexico. General government costs include the costs of administering the healthcare and financial assistance programs, and the costs of administering the Child Support Enforcement and Behavioral Health Services programs. General revenues are made available to the Department through appropriations from the State General Fund and other special funds, as well as through amounts transferred from other state and local agencies that participate in the healthcare and financial assistance programs.

Fund Financial Statements

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

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

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

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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.

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

Notes to the Basic Financial Statements

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

C. SUPPLEMENTAL INFORMATION

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

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

The Department is pleased to provide comparative financial information for fiscal years 2009 through 2011. Management has not attempted to recast this information, except as adjusted in preparation of the fiscal year 2011 financial statements and information.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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

Fund balance is an important indicator to the performance of the Department over the past year. At the end of Fiscal Year 2011, the Department fund balance is abnormal. In Fiscal Year 2011 the Department experienced delays in reconciling federal reports and expenditures reported in the financial statements; in turn this caused a delay in requests for federal reimbursement. An allowance was recorded in 2011 to off-set the federal accounts receivable in the General Operating Fund (05200), which is funded by numerous grants, totaling \$5.2 million. The Medicaid Program Fund (97600) continues to reflect a negative fund balance due to a \$103 million liability recorded in 2010. The negative fund balance will continue until \$40 million of the total is approved by the federal government for reporting/reimbursement and approval of a supplemental request in 2012 for the remaining amount is appropriated. See Note 17 and 18 to the Financial Statements, *Deficit Fund Balance and Allowance for Uncollectible Receivables - Fund 052*, for further discussion.

Net Assets and Changes in Net Assets

Table 1 summarizes the net assets in Governmental Activities of the Department for the fiscal year ended June 30, 2011, with comparative balances for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 1 - Net Assets

	2011	2010	2009	2010 to 2011	%
	Governmental Activities	Governmental Activities	Governmental Activities	Increase/ (Decrease)	Change
Assets:					
Current assets	\$265,544,708	\$322,517,191	\$498,813,821	(56,972,483)	-18%
Non-current assets	1,593,655	1,686,412	4,208,003	(92,757)	-6%
Total assets	<u>267,138,363</u>	<u>324,203,603</u>	<u>503,021,824</u>	<u>(57,065,240)</u>	-18%
Liabilities:					
Current liabilities	356,771,347	409,846,247	490,769,931	(53,074,900)	-13%
Total liabilities	<u>356,771,347</u>	<u>409,846,247</u>	<u>490,769,931</u>	<u>(53,074,900)</u>	-13%
Net Assets:					
Invested in capital assets - net of related debt	1,593,655	1,686,412	4,208,003	(92,757)	-6%
Restricted for Grant Programs	4,967,688	5,246,041	12,438,493	(278,353)	-5%
Unrestricted	<u>(96,194,327)</u>	<u>(92,575,097)</u>	<u>(4,394,603)</u>	<u>(3,619,230)</u>	4%
Total Net Assets (deficit)	<u>(89,632,984)</u>	<u>(85,642,644)</u>	<u>12,251,893</u>	<u>(3,990,340)</u>	5%

The Department's net investment in capital assets totaled \$1,593,655 at June 30, 2011. Amounts reflected in this category are not available to fund future spending. The Department uses these assets to provide services. The decrease in the Department's capital assets is discussed below under the heading F. Capital Assets and Debt Management.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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

The Department's deficit net asset fund balance increased by 5% from 2010 to a deficit fund balance of (\$89,632,984). The increase in the deficit fund balance is primarily due to decreases in total assets of \$57,065,240 and decreases in total liabilities of \$53,074,900. Total assets decreased due to the reduction of federal funding levels of the American Recovery and Reinvestment Act (ARRA) in most major programs.

The decrease in total liabilities is attributable to the unearned federal revenue recorded in 2010 of \$40 million, this volume of an adjustment was not recorded in 2011, and the decrease in the healthcare services payable, which decreased by \$54 million or 26% from 2010. See Note 17 for further discussion of the deficit fund balance. The decrease in the healthcare services payable is primarily due to the Department transitioning to a new Statewide Entity, OptumHealth, in 2010 to Administer Behavioral Health Services and cost containment efforts in 2011, which reduced expenditures for several categories in the Medicaid Program.

Table 2 - Changes in Net Assets

	2011	2010	2009	2010 to 2011	% Change
	Governmental Activities	Governmental Activities	Governmental and Business Activities	Increase/ (Decrease)	
Revenues					
<i>Program Revenues:</i>					
Charges for Services	80,040,330	77,200,349	59,863,152	2,839,981	4%
Federal funds	3,816,810,240	3,837,477,427	3,356,656,503	(20,667,187)	-1%
Total Program Revenues	3,896,850,570	3,914,677,776	3,416,519,655	(17,827,206)	0%
<i>General Revenues & Special Items:</i>					
State Appropriation, net	707,052,913	683,588,226	762,723,793	23,464,687	3%
Transfer from Other State					
Agencies	121,537,661	124,663,175	142,370,383	(3,125,514)	-3%
Total Revenues	4,725,441,144	4,722,929,177	4,321,613,831	2,511,967	0%
Expenses:					
Healthcare services	3,698,368,111	3,828,735,392	3,484,513,628	(130,367,281)	-3%
Financial Assistance	754,726,564	676,931,461	491,937,174	77,795,103	11%
General Government	276,336,809	315,156,861	341,464,160	(38,820,052)	-12%
Total Expenses	4,729,431,484	4,820,823,714	4,317,914,962	(91,392,230)	-2%
Increase (Decrease) in Net Assets					
	(3,990,340)	(97,894,537)	3,698,869	93,904,197	-96%
Net assets-beginning of year	(85,642,644)	12,251,893	8,553,024	(97,894,537)	-799%
Net assets-end of year	(89,632,984)	(85,642,644)	12,251,893	(3,990,340)	5%

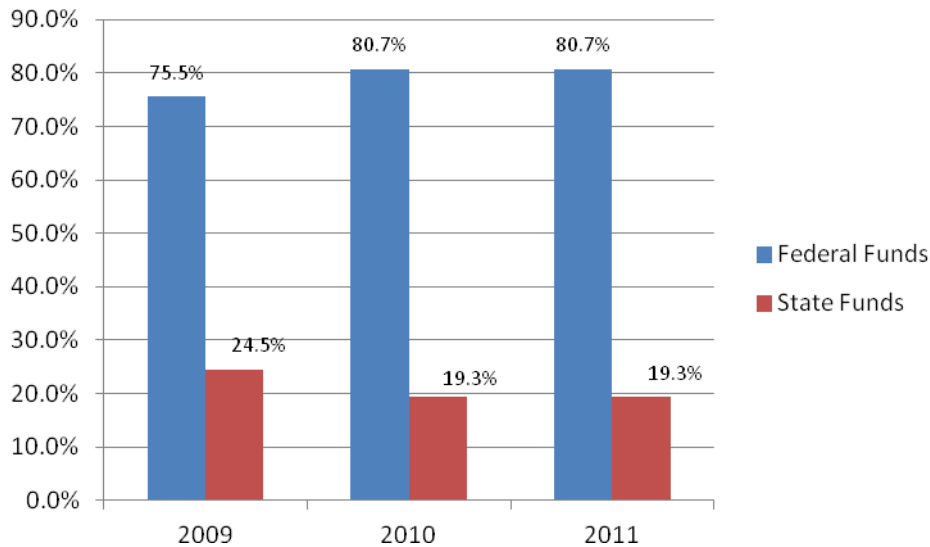
**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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

Table 2 presents the detail changes in net assets from 2009 to 2011. Net assets deficit fund balance increased to (\$89,632,984), a 5% increase from 2010. **Table 2** reflects relatively little growth in total program revenues due to increases in 100% federally funded program expenditures, such as SNAP, off-set by the decreased level of the American Recovery and Reinvestment Act (ARRA) funding in most other major programs.

Expenditure decreases to the Medicaid Program reflect cost containment efforts across several categories. Medicaid Program expenditures decreased in 2011 by 3% or \$130 million to a total of \$3.7 billion. Expenditures increased in the Financial Assistance programs due to increase demand for the Supplemental Nutritional Assistance Program (SNAP) benefits. The decrease in General Government expenditures in 2011 is attributable to the loss of the American Recovery and Reinvestment Act (ARRA) funding for program-related administrative functions.

**Figure 1
Changes in Federal and State Revenues**



The comparison of the Department's federal and state revenues over the past three years is shown in **Figure 1**. The Department's level of federal funds in 2011 remained at just over eighty percent (80.7%), as in 2010, due to continued ARRA funding across all programs. The remaining 19.3% matching funds were comprised of State general revenue appropriations, reimbursements from other state agencies, miscellaneous revenues and transfers.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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

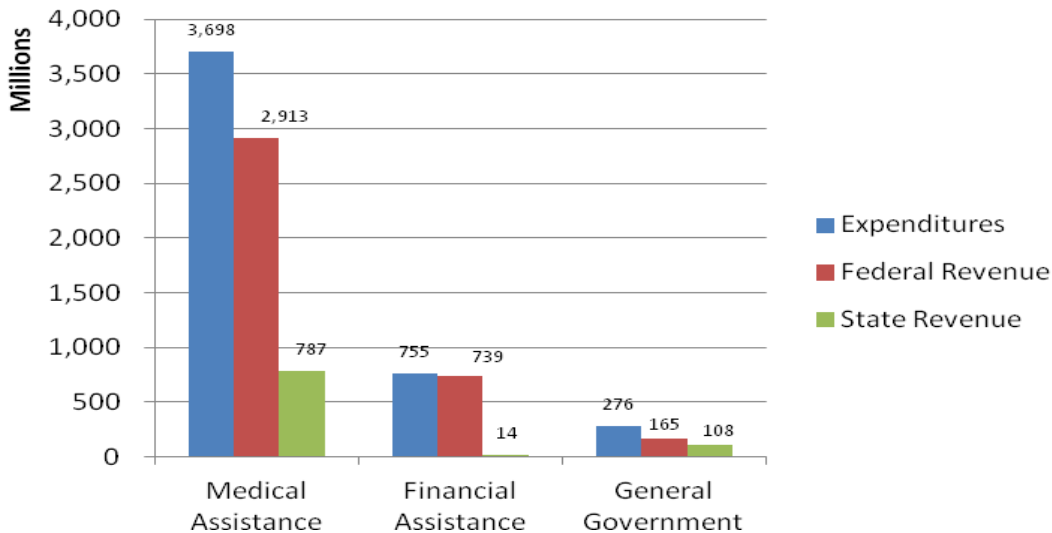
The heavy reliance on federal funding and, in particular, Recovery Act funding, and the size of the Department's overall budget subject the Department to significant external oversight of its program and fiscal operations. The detail amounts of grant funded expenditures can be seen in the Schedule of Expenditures of Federal Awards (SEFA) on page 65.

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

Governmental Activities

Costs not covered by program revenues are covered by the sources of general revenues (money provided by the state's tax payers) that primarily include state appropriations and transfers from other state agencies. **Figure 2** shows the relationship of governmental direct expenses to program revenues for fiscal year 2011.

Figure 2 – Total Expenditures and Revenues



The total costs of all the Department's governmental activities this year was \$4,729,431,484. Of these total costs, 78% were for medical assistance services provided to eligible residents of the state, primarily under the Medicaid program of which 79% was financed by federal grants, and general revenues and charges for services funded 21%. 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
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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

A total of \$754,726,564 or 16% of total costs pertains to financial assistance provided to eligible residents; 98% of these costs were funded by federal grants. The remaining 2% was financed with state funds, including charges for services.

The 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 decreased from 2010 due to budget reductions to total expenditures of \$276,336,809; 60% of these costs were financed by federal grants and 40% by state funds, including charges for services.

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, the reauthorization of computer systems enhancement funds, and the associated certified federal financial participation. In SFY11 the agency reduced General Fund and associated federal funds as a result of budget solvency reductions authorized by the New Mexico Legislature and the Governor. A 3.24% reduction of General Fund in all P-codes with the exception of P524 amounted to a \$3,498,900 reduction in General Fund and an associated \$2,359,600 in federal matching funds across the affected programs. In FY11 the authority to reduce allotments was given to the Governor with the approval to the State Board of Finance and after review and comment by the Legislative Finance Committee if revenues were projected to be insufficient to meet General Fund appropriations. The resulting reduction was a 3.24% General Fund reduction to HSD with the exception of the Medicaid program. There were some adjustments to non-recurring budgets established as multiyear budgets in SFY09 and SFY10 in fund (890) to budget and track the American Recovery and Reinvestment Act (ARRA) funds appropriated to New Mexico. Other significant budget increases occurred in the Medicaid program budget, 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 were implemented through Section 14 of the General Appropriations act of 2011 totaling \$5,894,800 which reduced FY11 Operating Budgets.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

E. GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

- \$52,251,506 in budget increases was processed in Fund 890 attributable to Federal ARRA funds. The funding was for Medicaid Additional FMAP \$49,943,748, \$1,121,959 SNAP Administration Federal, \$1,000,000 Farmers Market and Food Banks from the Governor's Stabilization fund, and Commodities \$185,809. Some of the original budgets established in SFY09 for ARRA were multiyear appropriations for FY 09, 10 and 11 making the adjustment in SFY11 less than in prior fiscal years.

Original Budget Compared to Amended Budget

- One Budget Adjustment was processed in FY11 totaling \$930,588 to increase the budget for the ISD2R project in fund 901. Expenditures for the ISD2 project were limited in SFY 11 to expenditures authorized under the Planning Advanced Planning Document approved by our federal partners as the Department sought approval of an Implementation Advanced Planning Document from our Federal Partners.

Other significant increases for federal programs not attributable to ARRA were:

- LIHEAP program increase of \$10,519,800,
- SNAP benefits increases of \$142,000,000 driven by caseload increases,
- \$51,576,609 in Title XIX funding for the Medicaid Program to align federal funds with projected expenditures,
- \$6,855,948 in Medicaid Administration primarily attributable to flow through to the Schools for the Medicaid in the Schools program and to other state agencies to reimburse them for Medicaid administration claims,
- \$3,997,200 in the Behavioral Health Services Division from a number of federal grants including Concurring State Incentive Grant, Jail Diversion Grant, Data Infrastructure Grant, Access to Recovery Grant, and Mental Health Transformation Grant II, to align the budget with available funding for these programs.

Below are highlights of adjustments.

- \$34,947,800 budget was transferred between the Medical Assistance Program and the Medicaid Behavioral Health Program to align the budget with projected expenditures in each program.
- Income Support administration budget was realigned by \$1,000,000 to meet the Contractual Services requirements for the program.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

E. GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Amended Budget Compared to Actual Expenditures and Revenues

- In Fund 052 the total expenditures exceeded total revenue by \$5,057,091 which is the result of recognizing an allowance to the federal receivable totaling \$5,246,544. The recording of the allowance in 2011 is a change in estimate of federal revenue and results in a decrease to federal revenue of \$5,246,544. See Footnote 18.
- In Fund 974 total revenues and total expenditures equaled each other reflecting the nature of the flow through of the LIHEAP program which has no match requirement.
- In Fund 975 total expenditures exceeded total revenues by \$179,659 which includes a reversion of \$172,367 of general fund monies appropriated for specific TANF expenditure categories. The \$172,367 was un-expended at June 30, 2011 in the TANF categories.
- In Fund 976 total revenues exceeded total expenditures by \$1,206,076, the excess revenue was attributable to prior year adjustments related to 2009, which reduced the negative fund balance of \$88,407,560 in 2010 to \$87,201,484 at June 30, 2011. See Footnote 17 for more detail.
- In Fund 890 total revenues and total expenditures equaled each other reflecting the nature of the flow through of the ARRA federal funds.

F. CAPITAL ASSETS AND DEBT MANAGEMENT

Capital Assets

The Department's investment in capital assets as of June 30, 2011, amounted to \$1,593,655 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 6%. The loss on capital assets due to disposal of \$81,150, the majority of which was data processing equipment, was responsible for the overall decrease in capital assets.

Total depreciation expense for the year was \$700,374. 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 35 to illustrate changes from the prior year.

Debt

At June 30, 2011 the Department had no long-term debt resulting from borrowing.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

G. THINGS AFFECTING THE DEPARTMENT'S FUTURE

Medicaid Modernization Plan

To utilize limited resources on a continuously expanding program the Department is implementing a Medicaid Modernization Plan. Medicaid spending will rise to 16% of New Mexico's total state budget in 2012; and Healthcare Reform will add 130,000 to 175,000 Medicaid recipients totaling \$300 - \$600 million from 2014 to 2019. Even without healthcare reform, State spending will increase by 20% through 2019, to cover New Mexicans who need Medicaid services. The Medicaid Modernization Plan includes four principles:

1. Develop and implement a comprehensive, coordinated service delivery system;
2. Increase personal responsibility by implementing sliding scale co-pays for high-cost services;
3. Institute will pay for performance targets that move us toward paying for healthcare outcomes rather than quantity of services provided;
4. And increase administrative efficiencies by combining all Medicaid waivers.

The timeline for the modernization begins in August 2011 and full implementation is targeted within 24 months.

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act funding for the Medicaid Program continued through June 30, 2011 with decreased federal assistance percentage extended through the last two quarters of state fiscal year 2011. Significant decreases in federal assistance percentages and the related federal revenue will result in 2012 for the Medicaid Program.

Eligibility System Replacement

The replacement of the Department's Integrated Service Delivery eligibility system in 2011 was organized as the ISD2R (ISD2 Replacement) Project Management Office (PMO) comprised of Department staff and contractor staff. The PMO is responsible for overseeing and facilitating the implementation of the replacement system.

In FY12, a tri-agency letter will be released to states from the Centers for Medicare and Medicaid Services (CMS), Administration for Children and Families (ACF), and Food and Nutrition Services (FNS) through U.S. Department of Agriculture (USDA). The letter informs

STATE OF NEW MEXICO

HUMAN SERVICES DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

G. THINGS AFFECTING THE DEPARTMENT'S FUTURE (CONTINUED)

States of a time-limited, specific exception to the cost allocation requirement of OMB Circular A-87. The exception, which expires December 31, 2015, allows federally funded human services programs to utilize a system designed specifically for determining a person's eligibility for certain health coverage programs (Exchanges, Medicaid and CHIP) without sharing in the common developments costs, so long as those development costs would have been incurred for the Exchange, Medicaid and CHIP system anyway. The estimated cost for full implementation of ISD2R is \$74 million. Because of the OMB A-87 exception the Department submitted an Advanced Planning Document (APD) update and received approval from both CMS and FNS, the only agencies now contributing federal share to the ISD2R project. Based on the approval of the APD update CMS will be allocated 88% of the total project cost, federal assistance percentage at 90% with federal share of \$58.7 million; FNS will be allocated 4.5% of the total project cost, federal assistance percentage at 50% with federal share of \$1.6 million. The remaining amount of \$13.7 million will be the State share of the project.

A request for proposal for an implementation vendor was released in 2011. The vendor will be tasked with providing an eligibility system currently in use in another state and modifying to meet New Mexico needs. Over the course of the 2012 and 2013 the ISD2R team will conduct gap analysis between Department requirements and current functionality. The Department will test the system before it is piloted, scheduled for January 2013 through June 2013. The last phase of the project is the rollout in August 2013 through February 2014.

Additional federal oversight is expected during the entire life cycle of the ISD2R project. Healthcare Reform is one of the major drivers in the ISD2R project and compliance with the Federal mandates for having a Healthcare Insurance Exchange in place by January 1, 2014. Failure to meet HCR requirements could impact the delivery of health care for over 600,000 recipients.

The new ISD2R system will support the administration of public assistance programs to include:

Temporary Assistance to Needy Families (TANF)/New Mexico Works (NMW); Supplemental Nutrition Assistance Program (SNAP); Over 30 medical assistance (Medicaid) programs; State Funded Cash Assistance Programs (General Assistance); Low Income Home Energy Assistance Program (LIHEAP); and the Refugee Cash Assistance Program (RCA). ISD2 provides business support for the following functionality: Eligibility Determination and Benefit Calculation, General Case Maintenance Tools, NMW Case Management, Client Notice Generation, Establishment of Benefit Claims, Communication with Tribal Entities.

STATE OF NEW MEXICO

HUMAN SERVICES DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

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, Danny Sandoval, at the 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, 2011**

	Total Governmental Activities
ASSETS	
Current assets	
Cash	\$ 25,250
Interest in the State Treasurer General Fund Investment Pool	7,405,535
	<u>7,430,785</u>
Receivables	
Federal grants - net	229,724,781
Due from external parties	181
Accounts receivable - net	12,619,088
Due from other state agencies	15,463,404
Net receivables	<u>257,807,454</u>
Supplies and commodities inventory and other	<u>306,469</u>
Total current assets	265,544,708
Capital assets - net	<u>1,593,655</u>
Total assets	<u>267,138,363</u>
LIABILITIES	
Current liabilities	
Accounts payable	15,816,670
Accrued payroll	3,204,191
Healthcare services payable	156,394,951
Due to State Treasurer General Fund Investment Pool	113,113,217
Reversion payable to State General Fund	6,323,563
Compensated absences	3,967,743
Other liabilities	624,379
Due to other state agencies	16,007,916
Unearned federal revenue	40,608,974
Due to other entities	<u>709,743</u>
Total liabilities	<u>356,771,347</u>
Net assets (deficit)	
Invested in capital assets	1,593,655
Restricted for special programs	4,967,688
Unrestricted (deficit)	<u>(96,194,327)</u>
Total net assets (deficit)	<u>\$ (89,632,984)</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
DEPARTMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Healthcare services	\$ 3,698,368,111	72,438,576	2,912,965,181	(712,964,354)
Financial assistance	754,726,564	4,453,939	738,834,522	(11,438,103)
General government	276,336,809	3,147,815	165,010,537	(108,178,457)
Total governmental activities	4,729,431,484	80,040,330	3,816,810,240	(832,580,914)
General Revenues				
State General Fund appropriations				712,405,199
Reversion of State General Fund appropriations - 2011				(5,352,286)
Transfers from other state agencies				121,537,661
Total general revenues and transfers				<u>828,590,574</u>
Change in net assets				(3,990,340)
Net assets - beginning of year				<u>(85,642,644)</u>
Net assets (deficit) - end of year				<u><u>\$ (89,632,984)</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2011**

	General (05200)	ARRA (89000)	Data Processing Appropriations (90100)	Income Support L Warrants (97400)	Income Support N Warrants (97500)	Medical Assistance (97600)	Total Governmental Funds
ASSETS							
Cash	\$ 250	-	-	-	-	25,000	25,250
Interest in the State Treasurer General Fund Investment Pool	-	-	3,800,823	-	3,604,712	-	7,405,535
	250	-	3,800,823	-	3,604,712	25,000	7,430,785
Receivables							
Federal grants - net	42,843,992	7,743,801	411,330	667,457	4,140,678	173,917,523	229,724,781
Accounts receivable - net	306,244	53,254	-	-	9,203	12,250,387	12,619,088
Due from other funds	2,282	-	167	-	563	-	3,012
Due from other state agencies	1,033,275	-	-	-	-	14,430,129	15,463,404
Due from other entities	181	-	-	-	-	-	181
Net receivables	44,185,974	7,797,055	411,497	667,457	4,150,444	200,598,039	257,810,466
Supplies and commodities inventory, other	137,398	-	-	-	169,071	-	306,469
Total assets	\$ 44,323,622	7,797,055	4,212,320	667,457	7,924,227	200,623,039	265,547,720
LIABILITIES AND FUND BALANCES							
Accounts payable	7,203,739	-	283,511	22,188	6,476,946	1,830,286	15,816,670
Accrued payroll	3,143,308	121	1,775	-	58,987	-	3,204,191
Healthcare services payable	-	2,663,740	-	-	-	153,731,211	156,394,951
Due to State Treasurer General Fund Investment Pool	22,718,988	4,778,544	-	399,750	-	85,215,935	113,113,217
Reversion payable to State General Fund	89,618	-	219,217	-	172,367	5,842,361	6,323,563
Other liabilities	394,782	-	4,209	-	21,256	204,132	624,379
Due to other funds	605	556	92	-	1,759	-	3,012
Due to other state agencies	15,026,874	-	-	245,519	160	735,363	16,007,916
Deferred federal revenue	174,668	-	-	-	169,071	40,265,235	40,608,974
Due to other entities	291,272	354,094	-	-	64,377	-	709,743
Total liabilities	49,043,854	7,797,055	508,804	667,457	6,964,923	287,824,523	352,806,616
Commitments and contingencies							
Fund balances (deficit)							
Nonspendable - inventory	137,398	-	-	-	-	-	137,398
Restricted	304,868	-	-	-	-	-	304,868
Committed	-	-	3,703,516	-	959,304	-	4,662,820
Assigned	-	-	-	-	-	-	-
Unassigned	(5,162,498)	-	-	-	-	(87,201,484)	(92,363,982)
Total fund balances (deficit)	(4,720,232)	-	3,703,516	-	959,304	(87,201,484)	(87,258,896)
Total liabilities and fund balances	44,323,622	7,797,055	4,212,320	667,457	7,924,227	200,623,039	265,547,720

See Notes to Financial Statements.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
RECONCILIATION OF DEPARTMENT-WIDE STATEMENT
OF NET ASSETS TO GOVERNMENTAL
FUNDS BALANCE SHEET
Year Ended June 30, 2011**

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

Fund balances (deficit) of governmental funds	\$ (87,258,896)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,593,655
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(3,967,743)</u>
Net assets (deficit) of governmental activities	<u><u>\$ (89,632,984)</u></u>

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, 2011**

	General (05200)	ARRA (89000)	Data Processing Appropriations (90100)	Income Support L Warrants (97400)	Income Support N Warrants (97500)	Medical Assistance (97600)	Total Governmental Funds
Revenues							
Federal grants	\$ 164,465,819	303,056,205	544,718	16,624,056	688,340,757	2,643,778,685	3,816,810,240
Other revenues	4,996,531	-	-	-	2,605,223	72,438,576	80,040,330
Total revenues	169,462,350	303,056,205	544,718	16,624,056	690,945,980	2,716,217,261	3,896,850,570
Expenditures-current							
Healthcare services							
Contractual services	-	-	-	-	-	11,919,111	11,919,111
Healthcare services	-	269,186,496	-	-	-	3,405,499,400	3,674,685,896
Total healthcare services	-	269,186,496	-	-	-	3,417,418,511	3,686,605,007
Financial assistance							
Personal services	-	5,861,342	-	-	1,455,291	-	7,316,633
Contractual services	-	1,347,126	-	-	8,506,143	-	9,853,269
Financial assistance	3,114,757	24,656,289	-	16,624,056	690,936,755	-	735,331,857
Other operating costs	-	1,983,597	-	-	219,853	-	2,203,450
Total financial assistance	3,114,757	33,848,354	-	16,624,056	701,118,042	-	754,705,209
General government							
Personal services	90,535,719	-	-	-	-	-	90,535,719
Contractual services	101,654,253	-	884,026	-	-	-	102,538,279
Other operating costs	35,304,549	-	45,894	-	-	6,517	35,356,960
Total general government	227,494,521	-	929,920	-	-	6,517	228,430,958
Expenditures-capital outlay	617,912	21,355	49,500	-	-	-	688,767
Total expenditures	231,227,190	303,056,205	979,420	16,624,056	701,118,042	3,417,425,028	4,670,429,941
Excess (deficiency) of revenue over expenditures	(61,764,840)	-	(434,702)	-	(10,172,062)	(701,207,767)	(773,579,371)
Other financing sources (uses)							
State General Fund appropriations	103,547,176	-	400,153	-	10,164,770	598,293,100	712,405,199
Transfers in from other state agencies	754,814	-	-	-	-	120,782,847	121,537,661
Transfers out to other state agencies	(47,532,539)	-	-	-	-	(11,763,104)	(59,295,643)
Reversions - 2011	(61,702)	-	(219,217)	-	(172,367)	(4,899,000)	(5,352,286)
Total other financing sources (uses)	56,707,749	-	180,936	-	9,992,403	702,413,843	769,294,931
Net change in fund balances	(5,057,091)	-	(253,766)	-	(179,659)	1,206,076	(4,284,440)
Fund balance, beginning of year	336,859	-	3,957,282	-	1,138,963	(88,407,560)	(82,974,456)
Fund balances (deficit), end of year	\$ (4,720,232)	-	3,703,516	-	959,304	(87,201,484)	(87,258,896)

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, 2011**

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

Changes in fund balance of governmental funds	\$ (4,284,440)
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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.	688,767
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Depreciation expenses not recorded in the governmental funds	(700,374)
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Loss on capital assets due to disposal	(81,150)
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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>386,857</u>
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Changes in net assets of governmental activities	<u><u>\$ (3,990,340)</u></u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
FUND 978 - CHILD SUPPORT ENFORCEMENT
June 30, 2011**

ASSETS

Current Assets

Interest in the State Treasurer General Fund

Investment Pool	\$ 1,234,092
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Other receivables, net of an allowance of \$1,513,459	586,538
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Due from other state agencies	181
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Total Assets	<u><u>\$ 1,820,811</u></u>
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LIABILITIES

Current Liabilities

Deposits held in trust for others	\$ 1,234,884
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Other liabilities	585,746
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Due to external parties	181
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Total Liabilities	<u><u>\$ 1,820,811</u></u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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, 2011, federal revenue represented 81% of the Department's total revenue.

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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 2011 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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

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.

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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 been issued.

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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets – represent unrestricted liquid assets.

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

Other Revenues and Transfers

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

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

Budgets and Budgetary Accounting

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

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

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

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

**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

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

financial statements can be obtained from the State Treasurer's Office. At June 30, 2011, funds 05200, 89000, 97400, and 97600 had balances due to the State General Fund Investment Pool primarily due to outstanding warrants that have not been presented and expenditures paid in advance of the related federal draw down.

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, 2011 that exceeds 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.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

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
Due to State Treasurer General				
Investment Pool				
General Fund	05200	\$ (24,494,278)	1,775,290	(22,718,988)
ARRA	89000	(1,462,646)	(3,315,898)	(4,778,544)
Income support – L Warrants	97400	(399,750)	-	(399,750)
Medical assistance – P Warrants	97600	(87,960,985)	2,745,050	(85,215,935)
Total governmental funds		<u>(114,317,659)</u>	<u>1,204,442</u>	<u>(113,113,217)</u>
Interest in the State Treasurer				
General Fund Investment Pool				
Data processing appropriations	90100	3,801,380	(557)	3,800,823
Income support – N Warrants	97500	<u>4,453,916</u>	<u>(849,204)</u>	<u>3,604,712</u>
Total governmental funds		8,255,296	(849,761)	7,405,535
Child support enforcement – K Warrants	97800	<u>1,086,122</u>	<u>147,969</u>	<u>1,234,091</u>
		<u>\$ 9,341,418</u>	<u>(701,792)</u>	<u>8,639,626</u>
Other cash balances				
Petty cash		250	-	250
Wells Fargo Bank		25,000	-	25,000
Bank of America		<u>-</u>	<u>-</u>	<u>-</u>
Total other cash balances		<u>\$ 25,250</u>	<u>-</u>	<u>25,250</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4. CAPITAL ASSETS

Governmental Activities:

	June 30, 2010	Additions	Deletions	June 30, 2011
Capital Assets				
Automobiles	\$ 954,232	-	(8,381)	945,851
Equipment and machinery	837,798	199,748	(21,600)	1,015,946
Data processing	4,883,508	489,019	(829,515)	4,543,012
Furniture and fixtures	96,002	-	-	96,002
Total capital assets	<u>6,771,540</u>	<u>688,767</u>	<u>(859,496)</u>	<u>6,600,811</u>
Accumulated depreciation				
Automobiles	(793,922)	(41,497)	-	(835,419)
Equipment and machinery	(765,271)	(79,118)	21,600	(822,789)
Data processing	(3,466,322)	(569,182)	756,746	(3,278,757)
Furniture and fixtures	(59,613)	(10,577)	-	(70,190)
Total accumulated depreciation	<u>(5,085,128)</u>	<u>(700,374)</u>	<u>778,346</u>	<u>(5,007,156)</u>
Total capital assets - net	<u>\$ 1,686,412</u>	<u>(11,607)</u>	<u>81,150</u>	<u>1,593,655</u>

Current year depreciation expense of \$700,374 was allocated entirely to the general government function in the government-wide statement of activities.

NOTE 5. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following:

	June 30, 2010	Additions	Deletions	June 30, 2011
Annual leave	\$ 3,970,231	1,840,463	2,151,579	3,659,115
Sick leave	72,486	85,153	86,593	71,046
Compensatory time	311,883	220,698	295,000	237,582
Total compensated absences	<u>\$ 4,354,600</u>	<u>2,146,314</u>	<u>2,533,171</u>	<u>3,967,743</u>

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

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

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 6. 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, 2011 are 95.35% 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.

NOTE 7. 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, 2011, the Department was aware of one federal review which could have a material effect on the Department's financial position. CMS issued a draft Financial Management Report (FMR) for FFY09 regarding reviews of eight private hospitals and the payments made under New Mexico's sole community provider hospital program (the SCP Program). As a result of the draft FMR report, HSD has proposed to CMS a "global settlement" for any potential claims regarding the SCP Program for the years 2000 – 2012, including FFY09. Pursuant to the terms of the settlement, HSD will repay approximately \$7.9 million for FFY09 and get assurances from CMS that it (i) will not look back for any period prior to FFY09, (ii) approve HSD SCP program payments for 2011 and 2012, and (iii) sign-off on new certification forms to be utilized by private hospitals and impacted counties to insure that all county supported money for the SCP Program comes from public revenue or is a bona fide donation. The \$7.9 million repayment by HSD will be in funds refunded to the State by the impacted counties. The global settlement is now with CMS' Office of General Counsel.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 8. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% 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 contribution requirements may be amended by acts of the legislature. The Department contributes to the plan under State general member coverage plan three. The Department's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$10,355,057, \$10,863,171, and \$12,575,019, 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, 2011**

NOTE 9. SPECIAL APPROPRIATIONS

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

	Short Purpose	Period	Original Appropriation	Cumulative Expenditures 6/30/11	Amount to be Reverted	Unencumbered Appropriations
Fund 901-Data Processing Appropriations						
DRA	Deficit Reduction Act	July 2008 to June 2011	\$ 402,500	\$ 183,303	\$ 219,197	\$ -
YES- NM	Information changes in the Information Technology Division	July 2007 to June 2012	2,000,000	410,963	-	1,589,037
ISD2 Refresh (HSD3)	Convert current Human Services systems into layered structure HSD3	July 2007 to June 2012	1,500,000	16,507	-	1,483,493
LIHEAP	Continued funding for replacement of ISD computer system	May 2010 to June 2012	<u>1,900,000</u>	<u>-</u>	<u>-</u>	<u>1,900,000</u>
		Fund 901 total	<u>\$ 5,802,500</u>	<u>\$ 610,773</u>	<u>\$ 219,197</u>	<u>\$ 4,972,530</u>
Fund 976-Medical Assistance						
	Shortfall in Medical Assistance	July 2010 to June 2012	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>	<u>-</u>	<u>-</u>
		Fund 976 total	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>	<u>-</u>	<u>-</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 10. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN

Plan Description. The Human Services 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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During fiscal year ended June 30, 2011, the statute required each

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 10. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN (CONTINUED)

participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute 0.8333% of their salary. In fiscal years ending June 30, 2012 through 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, 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 charged by the New Mexico State Legislature.

The Department's contributions to the RHCA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,136,110, \$927,144, and \$961,016, respectively, which equal the amount of required contributions for each fiscal year.

NOTE 11. 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:

2012	\$ 17,194,842
2013	15,039,635
2014	12,895,123
2015	12,295,273
2016	11,438,014
2017 – 2021	37,283,202
2022 – 2024	<u>11,023,162</u>
Total	<u>\$ 117,169,251</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 11. LEASE COMMITMENTS (CONTINUED)

Total rent expense for office space and equipment for the fiscal year ended June 30, 2011 was as follows:

Office space	\$ 16,644,403
Equipment	<u>1,174,607</u>
Total	<u>\$ 17,819,010</u>

NOTE 12. 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, 2011, the Department reverted \$29,567,450 pertaining to fiscal year 2010 and \$3,307,565 pertaining to fiscal years 2009 and 2008. The Department will be reverting \$943,361 in fiscal year 12 for returned funds from fiscal year 2009 and prior. The Department accrued a \$195,452 liability for reversions specifically related to fiscal year ending June 30, 2011. The \$27,917 shown for fiscal year 2009 below is for stale-dated warrants. The amount to be reverted to the State General Fund for the stale-dated warrants may be less than shown due to federal participation. The reversion payable by fund, program and appropriation period were as follows:

Prior Fiscal Years

Fund 901	Data Processing	Fiscal Year 2008	<u>\$ 219,197</u>
Fund 052	General Fund	Fiscal Year 2009	\$ 27,917
Fund 976	Medical Assistance	Fiscal Year 2009	<u>943,361</u>
			<u>\$ 971,278</u>
Fund 052	General Fund	Fiscal Year 2010	\$ 38,636
Fund 976	Medical Assistance	Fiscal Year 2010	<u>4,899,000</u>
			<u>\$ 4,937,636</u>

Current Fiscal Year

Fund 052	General Fund	Fiscal Year 2011	\$ 23,065
Fund 901	Data Processing	Fiscal Year 2011	20
Fund 975	Income Support	Fiscal Year 2011	<u>172,367</u>
			<u>\$ 195,452</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 13. TRANSFERS IN AND TRANSFERS OUT

State Agency/Fund	Business Unit	SHARE Fund No.	Purpose	General Fund (05200)	ARRA Funds (89000)	Data Processing (90100)	Income Support (97500)	Medical Assistance (97600)	Total
Transfers in									
Children Youth & Families Dept	69000	06700	Treatment Foster Care	\$ -	-	-	-	200,000	200,000
Children Youth & Families Dept	69000	06700	EPSSDT	-	-	-	-	280	280
Department of Health	66500	06100	Medicaid and TANF Services	-	-	-	-	62,245,785	62,245,785
Department of Health	66500	06100	FQHCS	-	-	-	-	471,487	471,487
Department of Health	66500	06100	Early Intervention	-	-	-	-	4,716,113	4,716,113
Department of Health	66500	06100	PASAAR	26,950	-	-	-	-	26,950
Aging and Long Term Services	62400	04900	Services to Elderly	-	-	-	-	2,407,805	2,407,805
Dept. of Finance and Administration	34100	02100	County Supported Medicaid Fund (Admin)	727,864	-	-	-	23,534,265	24,262,129
Dept. of Finance and Administration	34100	62000	Tobacco Settlement	-	-	-	-	27,207,112	27,207,112
				<u>\$ 754,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,782,847</u>	<u>121,537,661</u>
State General Fund Appropriation									
Dept. of Finance and Administration	34100	62000	Appropriation	<u>\$103,547,176</u>	<u>-</u>	<u>400,153</u>	<u>10,164,770</u>	<u>598,293,100</u>	<u>712,405,199</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 13. TRANSFERS IN AND TRANSFERS OUT (CONTINUED)

State Agency/Fund	Business Unit	SHARE Fund No	Purpose	General Fund (05200)	Income Support (97400)	Medical Assistance (97600)	Total
Transfers out							
Children, Youth, and Families Department	69000	06700	Medicaid Case Management	\$ 1,415,528	-	-	1,415,528
Children, Youth, and Families Department	69000	06700	CMHS-Domestic Violence	79,400	-	-	79,400
Children, Youth, and Families Department	69000	06700	TANF-Domestic Violence	1,008,000	-	-	1,008,000
Children, Youth, and Families Department	69000	49100	TANF-Child Care & Training	25,513,600	-	-	25,513,600
Children, Youth, and Families Department	69000	06700	Employment & Training	560,000	-	-	560,000
Children, Youth, and Families Department	69000	06700	TANF-Pre-K Program	416,700	-	-	416,700
Children, Youth, and Families Department	69000	06700	Employment & Training Child Care	41,000	-	-	41,000
Children, Youth, and Families Department	69000	06700	Children's Program	426,273	-	-	426,273
Department of Health	66500	06100	Payment to Public Providers	-	-	11,763,104	11,763,104
Department of Health	66500	06104	Public Health Division	1,176,350	-	-	1,176,350
Department of Health	66500	06100	Medicaid-EPSDT	202,979	-	-	202,979
Department of Health	66500	06100	Medicaid-Families First	393,713	-	-	393,713
Department of Health	66500	06100	Medicaid-LTSD-DHI	1,636,411	-	-	1,636,411
Department of Health	66500	06100	Medicaid-Nurse Aide Training	2,625	-	-	2,625
Department of Health	66500	06100	Medicaid-PASARR	166,636	-	-	166,636
Department of Health	66500	06100	Medicaid-DE Waiver	(424,291)	-	-	(424,291)
Department of Health	66500	06100	Medicaid-MF Waiver	10,919	-	-	10,919
Department of Health	66500	06100	Medicaid-DD Waiver	6,148,971	-	-	6,148,971
Department of Health	66500	06100	Medicaid-Aids Waiver	72,542	-	-	72,542
Department of Health	66500	06100	Medicaid-ICF for MR and Long Term Care	1,642,700	-	-	1,642,700
Department of Health	66500	06100	Medicaid-Maternal Child Health Initiative	62,921	-	-	62,921
Department of Health	66500	06100	Medicaid-WDI	159,778	-	-	159,778
Department of Health	66500	06100	Medicaid-Admin Claiming	694,065	-	-	694,065
Department of Health	66500	06104	Refugee CMA-Health Screening	110,316	-	-	110,316
Aging and Long Term Care Department	62400	04900	Medicaid-Administration	1,420,829	-	-	1,420,829
Aging and Long-Term Services Dept, NM	62400	04900	TANF-Gold Mentor	162,107	-	-	162,107
Commission on the Status of Women	60100	04300	TANF-Job Skills	681,725	-	-	681,725
Developmental Disabilities Planning Council	64700	07900	Medicaid-Guardianship	398,382	-	-	398,382
Developmental Disabilities Planning Council	64700	07900	Medicaid-Baby-Net	74,998	-	-	74,998
Public Education Department	64400	50000	Medicaid-WDI	302,534	-	-	302,534

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 13. TRANSFERS IN AND TRANSFERS OUT (CONTINUED)

State Agency/Fund	Business Unit	SHARE Fund No	Purpose	General Fund (05200)	Income Support (97400)	Medical Assistance (97600)	Total
Transfers out (Continued)							
Public Education Department	64400	50000	Medicaid-DVR Services	158,276	-	-	158,276
Public Education Department	92400	51300	TANF-Pre-K Program	625,000	-	-	625,000
Public Education Department	92400	79000	TANF-Grads Reality	49,984	-	-	49,984
Governors Commission on Disability	64500	05800	Medicaid-WDI	60,332	-	-	60,332
Office of Work Force Training & Development	63500	32900	Medicaid-WDI	141,220	-	-	141,220
University of New Mexico	96900	3D041	Medicaid-ECHO	554,598	-	-	554,598
University of New Mexico	96900		Medicaid ARC	411,561	-	-	411,561
University of New Mexico	96900	330Q6	Medicaid-Envision NM	866,633	-	-	866,633
University of New Mexico	96900		Medicaid-BHSD PASAAR	107,224	-	-	107,224
				<u>\$ 47,532,539</u>	<u>-</u>	<u>11,763,104</u>	<u>59,295,643</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 14. DUE TO/FROM OTHER STATE AGENCIES

Due to other state agencies

State Agency	Business Unit	Purpose	General Fund (05200)	Income Support (97400)	Income Support (97500)	Medical Assistance (97600)	Total
Aging & Long-Term Services Department	62400	Long-term elderly care	\$ 478,231	-	-	-	478,231
Children, Youth, and Families Department	69000	Medicaid and TANF Services	7,159,179	-	-	433,066	7,592,245
DD Planning Council	64700	Determine disability eligibility	134,336	-	-	-	134,336
Department of Health	66500	Medicaid and TANF Services	4,928,370	-	-	302,297	5,230,667
Department of Information Technology	36100	Support Services	921,129	-	160	-	921,289
Department of Workforce Solutions	63100	Workforce development	26,523	-	-	-	26,523
Division of Vocational Rehabilitation	64400	Determine disability eligibility	109,677	-	-	-	109,677
General Services Department	35000	Support Services	34,306	-	-	-	34,306
Governor's Commission on Disability	64500	Medicaid and TANF Services	17,229	-	-	-	17,229
NM Corrections Industries	77000	Furniture purchase	790	-	-	-	790
New Mexico Mortgage Finance Authority		TANF Services	-	245,519	-	-	245,519
NM Commission on the Status of Women	60100	Female Workforce Development	53,294	-	-	-	53,294
State Records Center and Archives	36900	Support Services	172	-	-	-	172
University of New Mexico		Envision NM	1,163,638	-	-	-	1,163,638
			<u>\$ 15,026,874</u>	<u>245,519</u>	<u>160</u>	<u>735,363</u>	<u>16,007,916</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 14. DUE TO/FROM OTHER STATE AGENCIES (CONTINUED)

Due from other state agencies

State Agency	Business Unit	Purpose	General Fund (05200)	Medical Assistance (97500)	Total (97600)
Taxation and Revenue Department	33300	Reimbursement for shared facilities	\$ 2,745	-	2,745
Aging & Long Term Services Department	62400	Reimbursement for shared facilities, and BI	6,476	490,124	496,600
Children, Youth and Families Department	69000	Reimbursement for Transformation Grant	915,825	-	915,825
Department of Corrections	77000	Reimbursement for shared facilities	21,238	-	21,238
Public Education Department	92400	Refund for School Based Health	1,124	-	1,124
Department of Finance and Administration	34100	County Supported Medicaid Funds	57,584	1,755,895	1,813,479
Commission on Status of Women	60100	Refund for disallowance excess admin CAP	11,188	-	11,188
Department of Health	66500	Behavioral Health invoices, CCIC programs	14,967	12,184,110	12,199,077
NM Veteran's Commission	67000	Reimbursement for shared facilities	2,128	-	2,128
			<u>\$ 1,033,275</u>	<u>14,430,129</u>	<u>15,463,404</u>

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 15. RISK MANAGEMENT

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

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

During the 2011 fiscal year, the Department paid Risk Management \$1,614,687 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, 2011, 2010 and 2009, 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 16. FUND BALANCE

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

The agency's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by legislation of the Legislature; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 16. FUND BALANCE (CONTINUED)

The Department did not have any assigned fund balances at June 30, 2011. A summary of the nature and purpose of these reserves by fund type at June 30, 2011, follows:

	Restricted Purposes	Committed Purposes
General Fund:		
DASIS funding – Behavioral Health	\$ 304,868	\$ -
Total	<u>\$ 304,868</u>	<u>\$ -</u>
Data Processing Appropriations:		
Yes – NM (Laws of 2010, Chapter 6, Section 7)	\$ -	\$ 595,937
ISD2 Refresh – HSD3 (Laws of 2010, Chapter 6, Section 7)	-	1,207,579
LIHEAP to ISD computer system (Laws 2010, Chapter 6, Section 7)	<u>-</u>	<u>1,900,000</u>
Total	<u>\$ -</u>	<u>\$ 3,703,516</u>
Income Support-N Warrants:		
SSIR (Laws of 2011, Section 5 Chapter 179 Item 17)	<u>\$ -</u>	<u>\$ 959,304</u>
Total	<u>\$ -</u>	<u>\$ 959,304</u>

NOTE 17. DEFICIT FUND BALANCE

The Medical Assistance Fund (97600) is in a deficit fund balance of \$87,201,484 as of June 30, 2011. In 2010, the Department recognized a discrepancy in reporting of expenditures and reimbursement requests for the Medical Assistance Program totaling a \$103 million liability to the federal government that resulted in the unusual fund balance. Since June 30, 2010 the Department is current with reconciliation of the

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 17. DEFICIT FUND BALANCE (CONTINUED)

Medicaid Program and returned any over-drawn funds to the federal government. The status of the liability is as follows:

Medicaid Prior Year Reporting Shortfall	\$ 103,318,900
Two year timely filing waiver request (Pending CMS action – classified as deferred revenue)	(40,265,235)
2011 Special Session Appropriation received in State Fiscal Year 2012	(11,806,600)
December 2010 Quarterly CMS64 Prior Quarter Adjustment	<u>(2,305,200)</u>
Balance (2012 Deficiency Appropriation Request)	<u>\$ 48,941,865</u>

The Department implemented several changes in 2011 to address the discrepancies in reporting and reimbursement requests:

- Created a “desktop application” to reconcile Medicaid claim level detail to the accounting system
- Timely reconciliation of Medicaid claims and federal reimbursement requests
- Created a detailed written policies and procedures manual documenting work flows

If the Department is unsuccessful in its request to the federal government to waive the two year filing limit, an additional deficiency appropriation will be required in the amount of \$40,265,235.

NOTE 18. DEFICIT FUND BALANCE AND ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES – FUND 052

The General Operating Fund (052) is in a deficit fund balance of \$4,720,232 as of June 30, 2011. The unusual balance is the result of recognizing an allowance to the federal receivable in fund 052 totaling \$5,246,544. The recording of the allowance in 2011 is a change in estimate of prior year federal revenue and results in a decrease to federal revenue of \$5,246,544.

The Department will continue to retrace transactions that may have resulted in the discrepancy in accounting transactions and/or reporting in fund 052 and determine a resolution by the end of 2012.

The allowance for uncollectible receivables of \$9,981,120 in fund 052 includes the allowance noted above for federal accounts receivable and also \$4,734,576 for miscellaneous receivable.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 19. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2011 are expected to be repaid within one year and consisted of the following receivables and payables. These transactions are eliminated in the government-wide financial statements.

Receivable Fund	Purpose	Payable Fund							Total
		Governmental Funds					Fiduciary Fund		
		General Fund	ARRA	Data Processing	Income Support	Medical Assistance	Child Support Enforcement		
General Fund	Reimbursement Adjustments Payroll & Interest	\$ -	533	-	1,749	-	181	2,463	
ARRA	Reimbursement Adjustments	-	-	-	-	-	-	-	
Data Processing	Reimbursement Adjustments & Payroll	\$ 157	-	-	10	-	-	167	
Income Support L Warrants	Reimbursement Adjustments & Payroll	-	-	-	-	-	-	-	
Income Support N Warrants	Reimbursement Adjustments & Payroll	\$ 448	23	92	-	-	-	563	
Medical Assistance	Reimbursement Adjustments	-	-	-	-	-	-	-	
Child Support Enforcement	Reimbursement Adjustments	-	-	-	-	-	-	-	
		<u>\$ 605</u>	<u>556</u>	<u>92</u>	<u>1,759</u>	<u>-</u>	<u>181</u>	<u>3,193</u>	

REQUIRED SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
PROGRAM SUPPORT PROGRAM-P522
GENERAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Miscellaneous	-	-	-	-
Federal grants	26,745,700	27,724,355	24,017,540	(3,706,815)
Other	3,888,800	4,083,240	2,935,031	(1,148,209)
TOTAL REVENUES	30,634,500	31,807,595	26,952,571	(4,855,024)
EXPENDITURES:				
Current:				
Personnel services and benefits	17,559,800	17,611,030	16,457,885	1,153,145
Contractual services	11,563,800	12,369,440	11,378,065	991,375
Healthcare Services	-	-	-	-
Other Cost	14,690,800	14,579,525	13,629,362	950,163
TOTAL EXPENDITURES	43,814,400	44,559,995	41,465,312	3,094,683
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	13,179,900	12,752,400	12,752,400	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	(38,636)	(38,636)
TOTAL OTHER FINANCING SOURCES (USES)	13,179,900	12,752,400	12,713,764	(38,636)
EXCESS (DEFICIENCY) OF				
REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER				
FINANCING SOURCES (USES)				
\$	-	-	(1,798,977)	(1,798,977)

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
CHILD SUPPORT PROGRAM-P523
GENERAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Miscellaneous	-	-	-	-
Federal grants	20,227,100	20,227,100	18,721,038	(1,506,062)
Other	4,734,200	4,734,200	10,423	(4,723,777)
TOTAL REVENUES	24,961,300	24,961,300	18,731,461	(6,229,839)
EXPENDITURES:				
Current:				
Personnel services and benefits	20,954,300	20,456,000	16,334,928	4,121,072
Contractual services	7,165,000	7,298,400	6,129,930	1,168,470
Healthcare Services	-	-	-	-
Other Cost	5,401,300	5,488,400	4,548,103	940,297
TOTAL EXPENDITURES	33,520,600	33,242,800	27,012,961	6,229,839
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	8,559,300	8,281,500	8,281,500	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	8,559,300	8,281,500	8,281,500	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	-	-

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
MEDICAL ASSISTANCE PROGRAM-P524
GENERAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Miscellaneous	-	-	-	-
Federal grants	2,605,836,500	2,695,747,779	2,472,305,830	(223,441,949)
Other	67,883,000	82,883,000	72,926,956	(9,956,044)
TOTAL REVENUES	2,673,719,500	2,778,630,779	2,545,232,786	(233,397,993)
EXPENDITURES:				
Current:				
Personnel services and benefits	10,815,000	11,550,420	10,097,792	1,452,628
Contractual services	32,190,900	40,794,799	33,666,320	7,128,479
Healthcare Services	3,232,339,700	3,326,001,253	3,136,440,190	189,561,063
Other Cost	2,118,800	2,406,203	2,349,575	56,628
TOTAL EXPENDITURES	3,277,464,400	3,380,752,675	3,182,553,877	198,198,798
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	539,651,000	543,120,078	543,120,078	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	128,926,100	125,005,180	121,537,661	(3,467,519)
Transfers Out:				
Transfers - out to other state agencies	(64,832,200)	(66,003,362)	(28,445,187)	37,558,175
Reversion	-	-	(3,069,000)	(3,069,000)
TOTAL OTHER FINANCING SOURCES (USES)	603,744,900	602,121,896	633,143,552	31,021,656
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	(4,177,539)	(4,177,539)

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
INCOME SUPPORT PROGRAM-P525
GENERAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted	Variance
	Original	Final	Amounts (Budgetary Actual)	Positive (Negative)
REVENUES:				
Fund Balance	\$ -	-	-	-
Miscellaneous	-	-	-	-
Federal grants	673,860,900	829,291,412	772,601,665	(56,689,747)
Other	4,637,600	5,776,562	4,146,920	(1,629,642)
TOTAL REVENUES	678,498,500	835,067,974	776,748,585	(58,319,389)
EXPENDITURES:				
Current:				
Personnel services and benefits	50,438,200	51,554,938	47,046,266	4,508,672
Contractual services	22,384,000	21,465,279	17,579,846	3,885,433
Healthcare Services	32,200	31,200	31,200	-
Other Cost	602,360,200	757,351,557	725,873,769	31,477,788
TOTAL EXPENDITURES	675,214,600	830,402,974	790,531,081	39,871,893
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	42,566,300	41,185,200	41,185,200	-
Compensation Package	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	(45,850,200)	(45,850,200)	(29,168,432)	16,681,768
Reversion	-	-	(172,387)	(172,387)
TOTAL OTHER FINANCING SOURCES (USES)	(3,283,900)	(4,665,000)	11,844,381	16,509,381
EXCESS (DEFICIENCY) OF				
REVENUES OVER (UNDER)				
EXPENDITURES AND OTHER				
FINANCING SOURCES (USES)				
	\$ -	-	(1,938,115)	(1,938,115)

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
MEDICAID BEHAVIORAL HEALTH PROGRAM-P766
GENERAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted	Variance
	Original	Final	Amounts (Budgetary Actual)	Positive (Negative)
REVENUES:				
Fund Balance	\$ -	-	-	-
Miscellaneous	-	-	-	-
Federal grants	245,784,300	214,305,578	194,116,945	(20,188,633)
Other	-	-	-	-
TOTAL REVENUES	245,784,300	214,305,578	194,116,945	(20,188,633)
EXPENDITURES:				
Current:				
Healthcare Services	307,200,800	272,253,000	246,327,106	25,925,894
Other Cost	-	-	-	-
TOTAL EXPENDITURES	307,200,800	272,253,000	246,327,106	25,925,894
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	61,416,500	57,947,422	57,947,422	-
Compensation Package	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	(1,830,000)	(1,830,000)
TOTAL OTHER FINANCING SOURCES (USES)	61,416,500	57,947,422	56,117,422	(1,830,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	3,907,261	3,907,261

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
BEHAVIORAL HEALTH SERVICE PROGRAM-P767
GENERAL APPROPRIATIONS
June 30, 2011

	<u>Budgeted Amounts</u>		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Miscellaneous	-	-	-	-
Federal grants	11,942,800	15,935,549	15,318,738	(616,811)
Other	21,000	21,000	21,000	-
TOTAL REVENUES	11,963,800	15,956,549	15,339,738	(616,811)
EXPENDITURES:				
Current:				
Personnel services and benefits	1,983,600	2,337,786	2,054,134	283,652
Contractual services	52,186,100	54,586,909	54,119,256	467,653
Other Cost	422,400	631,755	518,989	112,766
TOTAL EXPENDITURES	54,592,100	57,556,450	56,692,379	864,071
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	43,531,000	42,118,600	42,118,600	-
Compensation Package	-	-	-	-
Transfers - in from other state agencies	889,500	1,264,401	915,825	(348,576)
Transfers Out:				
Transfers - out to other state agencies	(1,792,200)	(1,783,100)	(1,682,023)	101,077
Reversion	-	-	(23,065)	(23,065)
TOTAL OTHER FINANCING SOURCES (USES)	42,628,300	41,599,901	41,329,337	(270,564)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	(23,304)	(23,304)

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
PROGRAM SUPPORT PROGRAM-P522
SPECIAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ 3,957,280	3,957,280	-	(3,957,280)
Miscellaneous	-	-	-	-
Federal grants	6,590,124	6,590,124	55,545	(6,534,579)
Other	-	-	-	-
TOTAL REVENUES	10,547,404	10,547,404	55,545	(10,491,859)
Cash Balance budgeted				
EXPENDITURES:				
Current:				
Personnel services and benefits	-	295,300	295,300	-
Contractual services	18,208,419	18,208,419	90,114	18,118,305
Healthcare Services	-	-	-	-
Other Cost	-	-	-	-
TOTAL EXPENDITURES	18,208,419	18,503,719	385,414	18,118,305
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	7,661,015	7,661,015	-	(7,661,015)
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	295,300	295,300	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	(219,197)	(219,197)
TOTAL OTHER FINANCING SOURCES (USES)	7,661,015	7,956,315	76,103	(7,880,212)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	(253,766)	(253,766)

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
CHILD SUPPORT PROGRAM-P523
SPECIAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted	Variance
	Original	Final	Amounts (Budgetary Actual)	Positive (Negative)
REVENUES:				
Fund Balance	\$ 7,877,858	7,877,858	-	(7,877,858)
Miscellaneous	-	-	-	-
Federal grants	-	-	7,553,402	7,553,402
Other	-	-	-	-
TOTAL REVENUES	7,877,858	7,877,858	7,553,402	(324,456)
EXPENDITURES:				
Current:				
Personnel services and benefits	4,444,082	4,444,082	4,444,082	-
Contractual services	1,162,190	1,162,190	1,161,318	872
Healthcare Services	-	-	-	-
Other Cost	2,271,586	2,271,586	1,948,002	323,584
TOTAL EXPENDITURES	7,877,858	7,877,858	7,553,402	324,456
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	-	-	-	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	-	-

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
MEDICAL ASSISTANCE PROGRAM-P524
SPECIAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ 36,940,501	69,881,701	-	(69,881,701)
Miscellaneous	-	-	-	-
Federal grants	165,061,962	215,005,700	284,887,401	69,881,701
Other	-	-	-	-
TOTAL REVENUES	202,002,463	284,887,401	284,887,401	-
EXPENDITURES:				
Current:				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Healthcare Services	209,002,463	291,887,401	291,887,401	-
Other Cost	-	-	-	-
TOTAL EXPENDITURES	209,002,463	291,887,401	291,887,401	-
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	7,000,000	7,000,000	7,000,000	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,000,000	7,000,000	7,000,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ -	-	-	-

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
INCOME SUPPORT PROGRAM-P525
SPECIAL APPROPRIATIONS
June 30, 2011

	Budgeted Amounts		Budgeted Amounts (Budgetary Actual)	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ 66,393,577	70,393,577	-	(70,393,577)
Miscellaneous	-	-	-	-
Federal grants	4,000,000	6,307,768	26,021,008	19,713,240
Other	-	-	-	-
TOTAL REVENUES	70,393,577	76,701,345	26,021,008	(50,680,337)
EXPENDITURES:				
Current:				
Personnel services and benefits	-	1,121,959	1,121,959	-
Contractual services	56,951	185,809	185,809	-
Healthcare Services	-	-	-	-
Other Cost	70,336,626	75,393,577	24,713,240	50,680,337
TOTAL EXPENDITURES	70,393,577	76,701,345	26,021,008	50,680,337
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Funds	-	-	-	-
Compensation Package	-	-	-	-
Supplemental	-	-	-	-
Transfers - in from other state agencies	-	-	-	-
Transfers Out:				
Transfers - out to other state agencies	-	-	-	-
Reversion	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
	\$ -	-	-	-

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO BUDGETARY COMPARISON SCHEDULES
June 30, 2011

NOTE 1. RECONCILIATION OF FUND FINANCIAL STATEMENTS TO BUDGETARY COMPARISON 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 2011 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)	\$ 169,462,350	(231,227,190)	56,707,749	(5,057,091)
ARRA (890)	303,056,205	(303,056,205)	-	-
Data Processing Appropriations (901)	544,718	(979,420)	180,936	(253,766)
Income Support L Warrants (974)	16,624,056	(16,624,056)	-	-
Income Support N Warrants (975)	690,945,980	(701,118,042)	9,992,403	(179,659)
Medicaid Assistance (976)	2,716,217,261	(3,417,425,028)	702,413,843	1,206,076
	<u>3,896,850,570</u>	<u>(4,670,429,941)</u>	<u>769,294,931</u>	<u>(4,284,440)</u>
Net changes in fund balance per budget schedules				
General Appropriations				
Program Support Program (P-522)	\$ 26,952,571	(41,465,312)	12,713,764	(1,798,977)
Child Support Program (P-523)	18,731,461	(27,012,961)	8,281,500	-
Medical Assistance Program (P-524)	2,545,232,786	(3,182,553,877)	633,143,552	(4,177,539)
Income Support Program (P-525)	776,748,585	(790,531,081)	11,844,381	(1,938,115)
Medicaid Behavioral Health Program (P-766)	194,116,945	(246,327,106)	56,117,422	3,907,261
Behavioral Health Service (P-767)	15,339,738	(56,692,379)	41,329,337	(23,304)
Special Appropriations				
Program Support Program (P-522)	\$ 55,545	(385,414)	76,103	(253,766)
Child Support Program (P-523)	7,553,402	(7,553,402)	-	-
Medical Assistance Program (P-524)	284,887,401	(291,887,401)	7,000,000	-
Income Support Program (P-525)	26,021,008	(26,021,008)	-	-
	<u>3,895,639,442</u>	<u>(4,670,429,941)</u>	<u>770,506,059</u>	<u>(4,284,440)</u>
Reclassifications	1,211,128	-	(1,211,128)	-
	<u>\$ 3,896,850,570</u>	<u>(4,670,429,941)</u>	<u>769,294,931</u>	<u>(4,284,440)</u>

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS
Year Ended June 30, 2011

Name/Responsible Party	Program Description	Contract Number	Date of Agreement		Fiscal Agent & Audit Responsibility	Contract Amount	FY11 Contract Amt	Expended Amount	Division
			Beginning	Ending					
CYFD	Behavioral Health Services for Children	GSA 11-630-7903-0006	7/1/2010	6/30/2011	HSD	\$ 426,273	\$ 426,273	\$ 426,273	BHSD
CYFD	Domestic Violence Services	GSA 11-630-7903-0004	7/1/2010	6/30/2011	HSD	\$ 79,430	\$ 79,430	\$ 79,430	BHSD
DOH	Behavioral Health Epidemiology	GSA 11-630-7903-0007	7/1/2010	6/30/2011	HSD	\$ 125,000	\$ 125,000	\$ 125,000	BHSD
DOH	Epidemiology and Response Division (ERD)	GSA 11-630-7903-0012	1/15/2010	6/30/2011	HSD	\$ 30,000	\$ 30,000	\$ 30,000	BHSD
DOH	Substance Abuse Prevention	GSA 11-630-7903-0009	7/1/2010	6/30/2011	HSD	\$ 1,431,916	\$ 251,232	\$ 251,232	BHSD
DOH	Turquoise Lodge Detox Services	GSA 10-630-7903-0020 A1	8/12/2009	6/30/2011	HSD	\$ 715,958	\$ 715,958	\$ 715,958	BHSD
DOH	Youth Risk & Resilience Survey	GSA 11-630-7903-0011	7/1/2010	6/30/2011	HSD	\$ 30,000	\$ 30,000	\$ 30,000	BHSD
DWS	Assisting BH Collaborative with needed work	GSA 11-630-7903-0015	1/1/2011	6/30/2011	HSD	\$ 13,529	\$ 13,529	\$ 13,529	BHSD
UNM	UNM/PASRR Services	GSA 11-630-7903-0008	7/1/2011	6/30/2011	HSD	\$ 169,400	\$ 169,400	\$ 107,800	BHSD
UNM - Adelsheim	Psychiatric needs of Children and Adolescents	GSA 10-630-7903-0006 A1	8/17/2009	6/30/2011	HSD	\$ 289,098	\$ 142,348	\$ 142,348	BHSD
UNM - CASAA	Multimedia Educational Campaign	GSA 11-630-7903-0005	7/1/2011	6/30/2011	HSD	\$ 19,800	\$ 19,800	\$ 19,800	BHSD
UNM - Dept of St Aff	NM Health fairs providing NM healing	GSA 11-630-7903-0002	7/1/2010	9/30/2010	HSD	\$ 12,000	\$ 11,973	\$ 11,973	BHSD
UNM - Silverblatt	Psychiatric Behavioral Health Svc Child/Adoles.	GSA 08-630-7903-0004 A4	7/18/2007	6/30/2011	HSD	\$ 1,010,167	\$ 225,000	\$ 225,000	BHSD
1st Judicial District Court	GSA-Hearing Officer(s)	GSA-11-630-7101-0016	7/1/2010	6/30/2011	HSD	\$ 326,100	\$ 326,100	\$ 326,100	CSED
2nd Judicial District Court	GSA-Hearing Officer(s)	GSA-11-630-7101-0017	7/1/2010	6/30/2011	HSD	\$ 971,241	\$ 971,241	\$ 971,241	CSED
3rd Judicial District Court	GSA-Hearing Officer(s)	GSA-11-630-7101-0018	7/1/2010	6/30/2011	HSD	\$ 417,700	\$ 402,300	\$ 402,300	CSED
7th Judicial District Court	GSA-Hearing Officer(s)	GSA-11-630-7101-0019	7/1/2010	6/30/2011	HSD	\$ 298,236	\$ 298,236	\$ 298,236	CSED
9th Judicial District Court	GSA-Hearing Officer(s)	GSA-11-630-7101-0020	7/1/2010	6/30/2011	HSD	\$ 499,220	\$ 499,220	\$ 499,220	CSED
11th Judicial District Court	GSA-Hearing Officer(s)	GSA-10-630-7101-0021	7/1/2010	6/30/2011	HSD	\$ 330,500	\$ 330,500	\$ 330,500	CSED
13th Judicial District Court	GSA-Hearing Officer(s)	GSA-11-630-7101-0022	7/1/2010	6/30/2011	HSD	\$ 304,000	\$ 304,000	\$ 304,000	CSED
DOH	Vital Records & Statistics	GSA 11-630-7101-0023	7/1/2010	6/30/2011	HSD	\$ 70,000	\$ 70,000	\$ 64,150	CSED
Navajo Nation	Reimbursement of child support	GSA-11-630-7101-0014	7/1/2010	6/30/2011	HSD	\$ 40,000	\$ 40,000	\$ 40,000	CSED
Rhode Island Public Utilities Commission	Interstate agreement for child support lien services		7/1/2010	6/30/2011	HSD	\$ 16,000	\$ 16,000	\$ 14,453	CSED
State of South Carolina	Electronic Parent Locator Network (EPLN)	GSA 11-630-7101-0012	7/1/2010	6/30/2011	HSD	\$ 17,913	\$ 17,913	\$ 17,913	CSED
ALTSD	Gold Mentor Services	GSA 11-630-9000-0009	7/1/2010	6/30/2011	HSD	\$ 162,107	\$ 162,107	\$ 162,107	ISD
CYFD	Child care/pre-k	GSA 11-630-9000-0011	7/1/2010	6/30/2011	HSD	\$ 26,531,300	\$ 26,531,300	\$ 26,531,300	ISD
CYFD	TANF - DV Program	GSA 11-630-9000-0010	7/1/2010	6/30/2011	HSD	\$ 1,008,000	\$ 1,008,000	\$ 1,008,000	ISD
DOH	Refugee Health Screening	GSA 11-630-9000-0025	7/1/2010	6/30/2011	HSD	\$ 129,900	\$ 129,900	\$ 110,316	ISD
Eastern Plains CAA	Provide Community Service Block Grant (CSBG) services	GSA 09-630-9000-0004 A1	7/1/2009	6/30/2012	HSD	\$ 1,888,690	\$ 202,870	\$ 202,870	ISD
Las Cruces Public Schools	SNAP-Ed	GSA 10-630-9000-0017 A2	7/1/2009	6/30/2011	HSD	\$ 573,026	\$ 217,974	\$ 207,514	ISD
Mid-Region Council of Governments	TANF Transportation Services	GSA 11-630-9000-0032	7/1/2010	6/30/2011	HSD	\$ 185,153	\$ 185,153	\$ 185,153	ISD
Navajo Nation	TANF services	GSA-11-630-9000-0026	7/1/2010	6/30/2012	HSD	\$ 210,900	\$ 210,900	\$ 210,900	ISD
Navajo Nation	SNAP-Ed	GSA-11-630-9000-0004	7/1/2010	6/30/2011	HSD	\$ 477,575	\$ 477,575	\$ 5,958	ISD
NM Commission on the Status of Women	TANF	GSA 10-630-9000-0015 A1	7/1/2010	6/30/2011	HSD	\$ 80,000	\$ 850,000	\$ 639,620	ISD
New Mexico Mortgage Finance Authority	Homeless Services	GSA 11-630-9000-0013	7/1/2010	6/30/2011	HSD	\$ 725,700	\$ 725,700	\$ 725,700	ISD
New Mexico Mortgage Finance Authority	LIHEAP Services	GSA 11-630-9000-0040	7/1/2010	6/30/2012	HSD	\$ 3,343,124	\$ 3,043,124	\$ 2,055,237	ISD
NMSU	NM Work Program	GSA 10-630-9000-0013 A4	8/30/2010	6/30/2011	HSD	\$ 6,990,833	\$ 6,990,833	\$ 6,878,716	ISD
NMSU	SNAP-Ed	GSA 11-630-9000-0007	7/1/2008	6/30/2011	HSD	\$ 5,295,903	\$ 1,836,480	\$ 1,474,491	ISD
PED	TANF Block Grant Pre-K Program	GSA 11-630-9000-0014	7/1/2010	6/30/2011	HSD	\$ 625,000	\$ 625,000	\$ 625,000	ISD
PED	GSA-TANF- Block Grant Graduation Reality	GSA 11-630-9000-0027	7/1/2010	6/30/2011	HSD	\$ 49,983	\$ 49,983	\$ 49,983	ISD
UNM	UNM CHP Market Research	GSA 11-630-9000-0005	7/1/2010	6/30/2012	HSD	\$ 45,291	\$ 40,481	\$ 40,481	ISD
Zuni Pueblo	TANF	GSA-11-630-9000-0028	7/1/2010	6/30/2011	HSD	\$ 31,000	\$ 31,000	\$ 31,000	ISD
CYFD	Case management - Protective Services	JPA 95-17	6/18/1996	Until Cancelled	HSD	\$ 5,451,995	\$ 1,625,997	\$ 1,415,528	MAD
DD Planning Council	Match admin costs for BabyNet	GSA 09-630-8000-0095	7/1/2009	06/30/13	HSD	\$ 300,000	\$ 75,000	\$ 74,998	MAD
DD Planning Council	Admin Claiming to Pay Fed Match	GSA 11-630-8000-0016 A1	7/1/2010	6/30/2014	HSD	\$ 1,600,000	\$ 400,000	\$ 283,382	MAD
DOH	Maternal Child Health Initiatives Survey	JPA 08-630-8000-0001	7/1/2007	06/30/12	HSD	\$ 2,805,240	\$ 100,000	\$ 62,921	MAD
DOH	Coordinate services for non Medicaid families	JPA 96-32	7/1/1994	6/30/2015	HSD	\$ 2,088,819	\$ 500,000	\$ 393,713	MAD
DOH	EPSDT	JPA 95 29	7/1/1995	Until Cancelled	HSD	\$ 733,368	\$ 773,368	\$ 500,696	MAD
DOH	Nurse aide Training	JPA 96 22	2/8/1996	Until Cancelled	HSD	\$ 1,318,840	\$ 1,318,840	\$ 991,737	MAD
DOH	Pre-Admission Screening and Annual Review	JPA 82 14	7/1/1993	Until Cancelled	HSD	\$ 429,092	\$ 429,092	\$ 266,959	MAD
DOH	Death Registration	GSA 11-630-8000-0010	7/1/2010	6/30/2015	HSD	\$ 2,000	\$ 2,000	\$ 2,000	MAD
DOH	Reimburse DOH 50% match for school	GSA 09-630-8000-0023	3/2/2009	6/30/2011	HSD	\$ 3,857,924	\$ 1,285,975	\$ 1,036,151	MAD
DOH	Home & Community Based Waiver Program	JPA 630-8114-03-37 A2	7/1/2010	6/30/2014	HSD	\$ 45,700,000	\$ 9,372,158	\$ 7,347,667	MAD
DOH	WDI and DOH	GSA 10-630-8000-0014	1/1/2010	12/31/2012	HSD	\$ 1,151,700	\$ 568,948	\$ 344,054	MAD
DOH	Admin Claiming	JPA 11-630-8000-0008	7/1/2010	6/30/2015	HSD	\$ 4,800,000	\$ 1,200,000	\$ 977,917	MAD
DVR	Working Disabled Individuals Program	GSA 09-630-8000-0087 A1	10/22/2009	6/30/2012	HSD	\$ 1,066,110	\$ 337,000	\$ 302,534	MAD
DVR	Utilize Services/Render Determinations	GSA 09-630-8000-0079	10/15/2009	6/30/2011	HSD	\$ 495,000	\$ 165,000	\$ 158,276	MAD

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS
Year Ended June 30, 2011

Name/Responsible Party	Program Description	Contract Number	Date of Agreement		Fiscal Agent & Audit Responsibility	Contract Amount	FY11 Contract Amt	Expended Amount	Division
			Beginning	Ending					
Governor's Commission on Disability	Conduit to the Governor for the Focusing on Abilities (FOA) Project	GSA 09-630-8000-0103 A1	10/29/2009	6/30/2012	HSD	\$ 189,880	\$ 64,681	\$ 60,332	MAD
DWS	NM Comp. Employment System	GSA 10-630-8000-00007	7/1/2009	6/30/2012	HSD	\$ 643,000	\$ 244,875	\$ 141,220	MAD
ALTSD	ALTS 50	JPA 05-630-8000-0007 A2	8/10/2009	6/30/2011	HSD	\$ 12,980,000	\$ 2,190,000	\$ 1,202,882	MAD
University of Maryland	Develop RFP for MAD MCOs	GSA 08-630-8000-0016	3/28/2008	1/31/2012	HSD	\$ 4,000,000	\$ 975,000	\$ 801,444	MAD
UNM	Envision	GSA-10-630-8000-0002	7/25/2009	6/30/2013	HSD	\$ 4,400,000	\$ 1,100,000	\$ 866,633	MAD
UNM	WDI GSA with UNM for ARC	GSA-09-630-8000-0090 A1	10/22/2009	6/30/2012	HSD	\$ 280,000	\$ 80,000	\$ 80,000	MAD
UNM	UNM CHIPRA Grant	GSA-11-630-8000-0007	7/1/2010	6/30/2015	HSD	\$ 1,693,556	\$ 333,561	\$ 331,561	MAD
UNM	UNM Project Echo	GSA-11-630-8000-0020	7/1/2010	6/30/2012	HSD	\$ 627,316	\$ 627,316	\$ 554,598	MAD
Alamogordo Public Schools	School based Medicaid services	GSA 09-630-8000-0025 A2	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 160,000	\$ 147,915	MAD
Albuquerque Public Schools	School Based Medicaid Services	GSA 09-630-8000-0027 A2	7/1/2008	6/30/2012	HSD	\$ 4,000,000	\$ 1,060,000	\$ 1,060,000	MAD
Artesia Public Schools	School Based Medicaid Services	GSA 09-630-8000-0028 A2	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 65,000	\$ 37,095	MAD
Aztec Municipal School	School Based Medicaid Services	GSA 09-630-8000-0029 A2	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 70,000	\$ 55,722	MAD
Belen Consolidated	School Based Medicaid Services	GSA 09-630-8000-0030 A3	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 105,000	\$ 88,797	MAD
Bernalillo Public Schools	School Based Medicaid Services	GSA 09-630-8000-0031 A3	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 204,000	\$ 139,518	MAD
Bloomfield Schools	School Based Medicaid Services	GSA 09-630-8000-0030 A2	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 75,000	\$ 55,133	MAD
Carlsbad Public Schools	School Based Medicaid Services	GSA 09-630-8000-0032 A2	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ -	\$ -	MAD
Central Consolidated Schools	School Based Medicaid Services	GSA 09-630-8000-0033 A5	7/1/2008	6/30/2012	HSD	\$ 165,000	\$ 155,000	\$ 155,000	MAD
Central Region Educational Cooperative	Medicaid School Based Services	GSA 09-630-8000-0034 A2	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 100,000	\$ 88,751	MAD
Chama Valley Independent	School Based Medicaid Services	GSA 09-630-8000-0035 A1	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ -	\$ -	MAD
Clovis Municipal Schools	School Based Medicaid Services	GSA 09-630-8000-0036 A3	7/1/2008	6/30/2012	HSD	\$ 160,000	\$ 52,000	\$ 40,443	MAD
Cobre Consolidated Schools	School Based Medicaid Services	GSA 09-630-8000-0037 A2	7/1/2008	6/30/2012	HSD	\$ 160,000	\$ 77,000	\$ 58,193	MAD
Cuba Independent Schools	School Based Medicaid Services	GSA 09-630-8000-0038 A2	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 45,000	\$ 23,874	MAD
Dulce Independent Schools	School Based Medicaid Services	GSA 09-630-8000-0039 A1	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ -	\$ -	MAD
Espanola Municipal Schools	School Based Medicaid Services	GSA 09-630-8000-0040 A3	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 150,000	\$ 69,696	MAD
Farmington Municipal Schools	School Based Medicaid Services	GSA 09-630-8000-0041 A4	7/1/2008	6/30/2012	HSD	\$ 480,000	\$ 200,000	\$ 145,258	MAD
Gadsden Independent Schools	School Based Medicaid Services	GSA 09-630-8000-0042 A2	7/1/2008	6/30/2012	HSD	\$ 1,200,000	\$ 300,000	\$ 269,400	MAD
Gallup McKinnley County Schools	School Based Medicaid Services	GSA 09-630-8000-0043 A1	7/1/2008	6/30/2012	HSD	\$ 280,000	\$ -	\$ -	MAD
Grants/Cibola County School	School Based Medicaid Services	GSA 09-630-8000-0044 A2	7/1/2008	6/30/2012	HSD	\$ 280,000	\$ 80,000	\$ 80,000	MAD
High Plains REC #3	School Based Medicaid Services	GSA 09-630-8000-0045 A2	7/1/2008	6/30/2012	HSD	\$ 600,000	\$ 180,000	\$ 122,901	MAD
Jemez Valley Public Schools	School Based Medicaid Services	GSA 09-630-8000-0047 A3	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 41,000	\$ 20,014	MAD
Las Cruces Public Schools	School Based Medicaid Services	GSA 09-630-8000-0049 A2	7/1/2008	6/30/2012	HSD	\$ 2,400,000	\$ 600,000	\$ 394,241	MAD
Las Vegas City Public Schools	School Based Medicaid Services	GSA 09-630-8000-0050 A2	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 80,000	\$ 45,886	MAD
Los Lunas Public Schools	School Based Medicaid Services	GSA 09-630-8000-0051 A2	7/1/2008	6/30/2012	HSD	\$ 1,400,000	\$ 350,000	\$ 300,811	MAD
Lovington Municipal Schools	School Based Medicaid Services	GSA 09-630-8000-0052 A2	7/1/2008	6/30/2012	HSD	\$ 140,000	\$ 70,000	\$ 35,880	MAD
Mescalero Apache School	School Based Medicaid Services	GSA 09-630-8000-0054 A1	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ -	\$ -	MAD
Mora Independent Schools	School Based Medicaid Services	GSA 09-630-8000-0055 A1	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ -	\$ -	MAD
Moriarty Municipal Schools	School Based Medicaid Services	GSA 09-630-8000-0056 A1	12/31/2008	6/30/2012	HSD	\$ 120,000	\$ 80,000	\$ 34,605	MAD
Pecos Independent Schools	School Based Medicaid Services	GSA 09-630-8000-0058 A1	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 30,000	\$ -	MAD
Pecos Valley REC # 8	School Based Medicaid Services	GSA 09-630-8000-0059 A2	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 90,000	\$ 62,438	MAD
Penasco Independent School	School Based Medicaid Services	GSA 09-630-8000-0060 A1	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ -	\$ -	MAD
Regional Educ. # 6	School Based Medicaid Services	GSA 09-630-8000-0063 A2	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 75,000	\$ 51,603	MAD
Regional Educ. # 7	School Based Medicaid Services	GSA 09-630-8000-0064 A3	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 120,000	\$ 105,946	MAD
Regional Educ. # 9	School Based Medicaid Services	GSA 09-630-8000-0065 A2	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 105,000	\$ 103,897	MAD
Rio Rancho Public Schools	School Based Medicaid Services	GSA 09-630-8000-0066 A4	7/1/2008	6/30/2012	HSD	\$ 400,000	\$ 205,000	\$ 161,176	MAD
Roswell Independent Schools	School Based Medicaid Services	GSA 09-630-8000-0067 A2	7/1/2008	6/30/2012	HSD	\$ 800,000	\$ 200,000	\$ 137,207	MAD
Santa Fe Public Schools	School Based Medicaid Services	GSA 09-630-8000-0068 A1	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 80,000	\$ 25,662	MAD
Santa Rosa Consolidated	School Based Medicaid Services	GSA 09-630-8000-0069 A1	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ -	\$ -	MAD
Silver City Consolidated Schools	School Based Medicaid Services	GSA 09-630-8000-0070 A2	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 80,000	\$ 33,589	MAD
Socorro Consolidated Schools	School Based Medicaid Services	GSA 09-630-8000-0071 A2	7/1/2008	6/30/2012	HSD	\$ 260,000	\$ 65,000	\$ 43,386	MAD
Southwest Regional Educ. Center	School Based Medicaid Services	GSA 09-630-8000-0072 A5	7/1/2008	6/30/2012	HSD	\$ 400,000	\$ 275,000	\$ 255,445	MAD
Taos Charter School	School Based Medicaid Services	GSA-09-630-8000-0073 A2	7/1/2008	6/30/2012	HSD	\$ 40,000	\$ 10,000	\$ 1,427	MAD
Taos Municipal Schools	School Based Medicaid Services	GSA 09-630-8000-0074 A3	7/1/2008	6/30/2012	HSD	\$ 100,000	\$ 85,000	\$ 70,497	MAD
Tucumcari Public Schools	School Based Medicaid Services	GSA 09-630-8000-0075 A2	7/1/2008	6/30/2012	HSD	\$ 100,000	\$ 50,000	\$ 22,157	MAD
Turquoise Trail Charter School	School Based Health Services	GSA 09-630-8000-0076 A3	7/1/2008	6/30/2012	HSD	\$ 40,000	\$ 30,000	\$ 13,637	MAD
West Las Vegas Schools	School Based Medicaid Services	GSA 09-630-8000-0077 A2	7/1/2008	6/30/2012	HSD	\$ 160,000	\$ 80,000	\$ 34,332	MAD
Zuni Public School Dist.	School Based Medicaid Services	GSA 09-630-8000-0078 A2	7/1/2008	6/30/2012	HSD	\$ 240,000	\$ 60,000	\$ 25,102	MAD

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
FUND 978 - CHILD SUPPORT ENFORCEMENT
Year Ended June 30, 2011

	June 30, 2010	Additions	Deletions	June 30, 2011
ASSETS				
Interest in the State Treasurer General Fund				
Investment Pool	\$ 1,527,928	125,169,703	(125,463,539)	1,234,092
Other receivables, net	714,400	782	(128,644)	586,538
Due from other state agencies	19	162	-	181
Due from external parties	1,096,828	-	(1,096,828)	-
	<hr/>			
Total assets	\$ 3,339,175	125,170,647	(126,689,011)	1,820,811
	<hr/>			
LIABILITIES				
Deposits held in trust for others	\$ 2,625,333	124,073,030	(125,463,479)	1,234,884
Other Liabilities	713,668	782	(128,704)	585,746
Due to external parties	174	7	-	181
	<hr/>			
Total liabilities	\$ 3,339,175	124,073,819	(125,592,183)	1,820,811
	<hr/>			

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Expenditures
Department of Agriculture (USDA) Direct Programs			
Commodities Assurance (SAE)	10.560	12-35-3501	\$ 212,740
Emergency Food Assistance Program (Food Commodities)	10.569	None	3,806,481
ARRA* - Emergency Food Assistance Program (Food Commodities)	10.569	None	34,136
Emergency Food Assistance Program (Administrative Costs)	10.568	XNM810813	263,024
ARRA* - Emergency Food Assistance Program (Administrative Costs)	10.568	XNM810813	185,809
Subtotal Food and Nutrition Services			<u>4,502,190</u>
Supplemental Nutritional Assistance Program (SNAP)			
Administration and SAVE	10.561	12-35-3501	23,984,819
ARRA* - Administration and SAVE	10.561	12-35-3501	1,121,959
SNAP Employment/Training Grant	10.561	12-35-3501	1,408,888
SNAP State Exchange	10.561	12-35-3501	9,254
SNAP & EBT Distribution**	10.551	58-3189-8-104	614,309,586
SNAP Contingency	10.561	12-35-3501	1,444,018
Subtotal SNAP			<u>642,278,524</u>
Total USDA			<u>646,780,714</u>
Department of Health and Human Services (DHHS)			
Administration for Children and Families Direct Programs			
Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	27,010,833
ARRA* - Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	7,553,402
Temporary Assistance for Needy Families (TANF)	93.558	G-XX-04-NM-TANF	127,218,175
TANF Supplemental Grants	93.558	G-XX-04-NM-TANF	3,276,552
Low Income Energy Assistance Program (Title XXVI)	93.568	G-XX-B1-NM-LIEA	18,731,046
Community Services Block Grant	93.569	01-XX-B1-NM-COSR	3,995,262
ARRA* - Community Services Block Grant	93.710	01-XX-B1-NM-COSR	56,951
Total Administration for Children and Families Direct Programs			<u>187,842,221</u>
Administration for Children, Youth and Families Direct Programs			
Refugee Resettlement Program (CMA)	93.566	G-XX-04-NM-6100	520,703
Refugee Resettlement Program (SS)	93.566	G-XX-04-NM-6110	153,485
Refugee School Impact	93.576	90ZE0079/01	150,000
Total Administration for Children, Youth and Families			<u>824,188</u>
Centers for Medicare & Medicaid Services			
Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	2,489,645,564
ARRA* - Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	269,186,496
Administration and Training Title XIX	93.778	05-XX-05-NM-5048	64,754,530
Children's Health Insurance Program CHIP	93.767	05-XX05-NM5021	141,234,082
Children's Health Insurance Program Outreach & Enrollment	93.767	1ZOC30482/01	1,094,066
Children's Health Insurance Program Bonus	93.767	1ZOC30482/01	722,672
Working Disabled	93.768	5-00-00-A9-1221	1,205,653
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330746-01	21,522
Health Information Technology	93.727	05-1105NMHITA	422,313
Total Centers for Medicare & Medicaid Services			<u>2,968,286,898</u>
Office of Health Care Finance Administration			
Title XIX Certification	93.777	05-XX-05-NM-5001	<u>1,642,700</u>
State Planning & Establishment	93.525	1HBEIE100014	\$ 456,605

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Expenditures
Substance Abuse and Mental Health Services Administration			
Center for Mental Health Services (CMHS)			
Community Mental Health Services Block Grant	93.958	2B09SM010037-11S4	2,299,345
Programs for Assistance in Transition from Homelessness	93.150	2X06SM060032-11	298,615
Mental Health Transformation Supportive Housing Program	93.243	1H79SM060122-02	521,905
Dev. & Implement of Admin & Clinical Services	93.243	SM056588	143,932
Veteran's First Jail Diversion Project	93.243	5H79SM059276-03	295,341
Subtotal Mental Health Services			3,559,138
Statewide Behavioral Health System Transformation			
Pass-through Programs from Department of Finance and Administration	93.243	5U79SM057464-05	915,825
Center for Substance Abuse Treatment (CSAT)			
Substance Abuse Treatment and Rehabilitation	93.959	2B08TI010037-11S2	8,463,235
Access to Recovery	93.275	1H79TI023130-02	3,765,966
Data Infrastructure Grant	93.243	1HR1SM059993-02	73,533
Subtotal Substance Abuse Treatment			12,302,734
Total DHHS			3,175,830,309
Department of Education			
Pass-through Programs from Department of Finance and Administration - ARRA* - State Fiscal Stabilization Fund - Government Services	84.397	S397A090032	1,277,800
Total Federal Assistance			3,823,888,823

* American Recovery and Reinvestment Act (ARRA) of 2009

** 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 portion of total expenditures for SNAP benefits that is supported by Recovery Act varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

See accompanying notes to schedule of expenditures of federal awards

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

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 \$3,840,617. 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.

Reconciliation of Schedule of Expenditures of Federal awards (SEFA) to the Financial Statements

Total expenditures from SEFA	\$ 3,823,888,823
Allowance for federal receivable	(5,246,544)
Federal revenue recorded in other revenue	(1,749,846)
Other reconciling items	(82,193)
Total federal revenue recorded in governmental funds	<u>\$ 3,816,810,240</u>

Subrecipients

Of the federal expenditures presented in the schedule, the state of New Mexico Human Services Department provided federal awards to subrecipients as follows:

<u>Program/Subrecipient</u>	<u>Total paid</u>
Supplemental Nutritional Assistance Program (SNAP) (CFDA #10.561):	
Cooking with Kids	\$ 375,013
Kids Cook	521,568
New Mexico State University	1,474,491
University of New Mexico	36,788
	<u>2,407,860</u>
Emergency Food Assistance Program (Administrative Costs) (CFDA #10.568)	
NM Association of Food Banks	<u>263,024</u>
ARRA - Emergency Food Assistance Program (Administrative Costs) (CFDA #10.568)	
NM Association of Food Banks	<u>185,809</u>
Medicaid (CFDA #93.778)	
Alamogordo Public Schools	147,905
Albuquerque Public Schools	1,062,125
Artesia Public Schools	37,095
Aztec Municipal School District	55,722
Belen Consolidated Schools	73,795
Bernalillo Public Schools	139,518
Bloomfield Schools	55,133
Central Consolidated Schools	180,083
Central Region Educational Cooperative	88,751
Children Youth and Families Department	1,702,931
Clovis Municipal Schools	40,443
Cobre Consolidated Schools	58,193
Cuba Independent Schools	23,874
Department of Education	12,194
Department of Health	12,599,164
Department of Vocational Rehabilitation	158,276
Espanola Municipal Schools	69,696
Farmington Municipal Schools	145,258
Gadsden Independent Schl District	269,400
Grants/Cibola County Schools	84,229
High Plains Regional Center Coop	122,901
Jemez Valley Schools	20,014
Las Cruces School District #2	394,241
Las Vegas City Schools	45,886
Los Lunas Schools	300,811

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Lovington Municipal Schools	35,880
Moriarty Municipal Schools	34,605
Pecos Valley Regional Education Center #8	62,431
Regional Educational Coop	103,897
Regional Educational Center #6	51,603
Regional Educational Center #7	105,946
Rio Rancho Public Schools	161,176
Roswell Independent Schools	137,207
Santa Fe Public Schools	25,662
Silver City Public School	33,589
Socorro Consolidated Schools	43,386
Southwest Regional Education Center	255,445
Taos Municipal Schools	70,497
Tucumcari Municipal Schools	22,157
Turquoise Trail Charter School	13,637
University of New Mexico	1,532,371
West Las Vegas School District	34,332
Zuni Public School District	25,102
TOTAL:	<u>20,636,561</u>
Title XIX Certification (CFDA #93.777)	
Department of Health	<u>1,496,603</u>
TANF (CFDA #93.558)	
Aging and Long Term Services	162,107
Children Youth & Families Dept.	26,938,300
Commission on Status of Women	639,620
New Mexico State University	7,749,897
Department of Education	674,983
Mid-Region Council of Governments	185,153
TOTAL:	<u>36,350,060</u>
Refugee Resettlement Program SS (CFDA #93.566)	
Catholic Charities	<u>186,400</u>
Refugee Resettlement Program CMA (CFDA #93.566)	
Department of Health	<u>110,316</u>
Refugee School Impact Program (CFDA #93.576)	
Catholic Charities	<u>150,000</u>
Community Services Block Grant (CFDA #93.569)	
Community Action Agency of Southern NM	688,889
Eastern Plains CAA	270,457
Economic Council Helping Others	312,218
Help - New Mexico	1,609,001
Midwest NM Cap	444,184
Southeast NM Comm Action Agency	475,527
TOTAL:	<u>3,800,276</u>
Working Disabled (CFDA #93.768)	
Department of Vocational Rehabilitation	302,534
Governor's Commission on Disability	60,332
Office of Workforce Training & Development	141,220
TOTAL:	<u>504,086</u>

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Low-Income Home Energy Assistance (CFDA #93.568)		
NM Mortgage Finance Authority		<u>291,067</u>
Community Mental Health Services Block Grant (CFDA #93.958)		
Children Youth & Families Dept		476,273
Life Link		372,633
United Behavioral Health		1,418,868
TOTAL:		<u>2,267,774</u>
Programs for Assistance in Transition from Homelessness (CFDA #93.150)		
Albuquerque HealthCare for the Homeless		63,669
Life Link		60,057
Southwest Counseling Cntr. Inc		26,100
St. Martin's Center		153,244
TOTAL:		<u>303,070</u>
Data Infrastructure Grant (CFDA #93.243)		
Children Youth & Families Dept		<u>12,750</u>
Substance Abuse Treatment and Rehabilitation (CFDA #93.959)		
Department of Health		952,232
Life Link		35,834
United Behavioral Health		7,098,276
University of New Mexico		19,800
TOTAL:		<u>8,106,142</u>
	TOTAL	<u>\$ 77,071,798</u>

SINGLE AUDIT SECTION

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

Ms. Sidonie Squier, Cabinet Secretary
New Mexico Human Services Department
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, 2011, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 9, 2011. We have also audited the fiduciary fund as of June 30, 2011 and the budgetary comparison schedules presented as required supplemental information for the year ended June 30, 2011. 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

Management of the Department is responsible for establishing and maintaining effective 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that

Ms. Sidonie Squier, Cabinet Secretary
New Mexico Human Services Department
Santa Fe, New Mexico

And

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questions costs as item 09-01 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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 11-01 and 11-02.

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

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, others within the entity, 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.

Mess Adams LLP

Albuquerque, New Mexico
December 9, 2011

Report of Independent Auditors on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Ms. Sidonie Squier, 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 New Mexico Human Services Department's (Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

Ms. Sidonie Squier, 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 10-06.

Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-06. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the responses..

This report is intended solely for the information and use of the Department's management, others within the entity, 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 these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
December 9, 2011

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2011**

Financial Statement

09-01 Child Support Enforcement Fund Reconciliation Updated and Repeated as 09-01

Federal Compliance

09-02 Medicaid Allowable Costs/ Cost Principles:
Overpayment Resolved

10-01 Medicaid Federal Reporting and Cash Management Resolved

10-02 TANF Eligibility Resolved

10-03 TANF Subrecipient Monitoring Resolved

10-04 Community Services Block Grant Reporting Resolved

10-05 Community Services Block Grant Subrecipient Monitoring Resolved

10-06 CSBG, TANF, and TEFAP Subrecipient Monitoring
And Special Tests Updated and Repeated as 10-06

State Compliance

10-07 Information Technology – Information Security Policy Resolved

10-08 Procurement Resolved

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**
 Internal control over financial reporting:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency(ies) identified? X yes _____ none reported
 Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency(ies) identified? 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 programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.397	State Fiscal Stabilization Fund Cluster
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.563	Child Support Enforcement
93.569/93.710	Community Services Block Grant (CSBG) Cluster
93.777/93.778	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs \$ 11,471,666

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, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

09-01 Child Support Enforcement Fund Reconciliation (Significant Deficiency in Internal Controls)

CONDITION

In our testing of 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, 2011 to a report from CSES. The Department reconciles the receipts and distribution activity on a daily, monthly, and annual basis. In addition, the Department developed a detail of accounts receivable in fiscal year 2011. We noted the current year annual reconciliation of activity had an un-reconcilable difference of \$15,047.

CRITERIA

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

EFFECT

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

CAUSE

The Department has not developed a reconciliation process to reconcile the undistributed receipts balance to CSES. We noted that there is currently some system limitations inhibiting the Department's ability to reconcile activity and ending balances; however, reports from CSES are not available. This is due to the CSES not being able to produce reports when needed.

RECOMMENDATION

We recommend the Department develop a process to reconcile the undistributed receipts balance between CSES and the general ledger periodically. We recommend that the Department work with its Information Technology Division to develop reports from CSES that can be reconciled to the balances recorded in SHARE.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

09-01 Child Support Enforcement Fund Reconciliation (Significant Deficiency in Internal Controls - Continued)

MANAGEMENT RESPONSE

Management agrees. The Administrative Services Division, Child Support Enforcement Division and the Information Technology Division will continue to work jointly on resolving differences in balances of undistributed receipts.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

10-06 TANF Subrecipient Monitoring (Significant Deficiency in Internal Controls and Noncompliance)

Federal Program:

U.S. Department of Health and Human Services,
Temporary Assistance for Needy Families Cluster - CFDA 93.558
Grant No. G-1002NMTANF Award Period, October 1, 2009 – September 30, 2010
Grant No. G-1102NMTANF, Award Period, October 1, 2010 – September 30, 2011

CONDITION

Based on our testwork over subrecipients we noted that in four out of four subrecipients tested, the Department did not separately identify and communicate at the time of the subaward the federal award number, if applicable, or the CFDA number to subrecipients who received Federal pass through funds.

CRITERIA

OMB Circular A-133 §___.400

(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

1. Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

EFFECT

The Department is not in compliance with the subrecipient and special tests compliance requirements for communicating required award information to subrecipients. There is increased risk that subrecipients are not reporting their grants correctly in their audits.

CAUSE

There is not an established policy at the program level to communicate all of the necessary grant information to the subrecipients, thus program personnel were unaware of the communication requirements.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

**10-06 TANF Subrecipient Monitoring (Significant Deficiency in Internal Controls
and Noncompliance - Continued)**

QUESTIONED COSTS

None

RECOMMENDATION

We recommend that the Department establish a uniform policy to communicate all necessary subaward information to the subrecipients. We also recommend that training be administered to program personnel to ensure that the policy will be properly implemented. Monitoring procedures should also be modified to ensure that management is reviewing communication to the subrecipients.

MANAGEMENT RESPONSE

Management agrees. The Administrative Services Division and the Income Support Division will work jointly to establish a policy to inform sub-recipients of sub-award information. The Department will also update monitoring procedures to include review and tracking of communication with sub-recipients.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

**SECTION IV – OTHER FINDINGS AS REQUIRED BY THE NEW MEXICO STATE
STATUTE, SECTION 12-6-5, NMSA 1978**

11-01 Capital Assets (State Compliance)

CONDITION

Based on our testing, we noted the Department was unable to locate 21 pieces of equipment. The equipment included servers and other information technology equipment. As a result, the Department removed them from the capital assets listing and it appears these assets were disposed of before communication with the State Auditor. We were also unable to verify through review of supporting documentation that the information technology equipment was properly sanitized before disposition.

CRITERIA

State Audit Rule 2.2.2.10 V. Disposition of Property

- 1) Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least thirty days prior to any disposition of property on the agency inventory list described below in Subsection Y of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor.

- 2) In the event a computer is included in the planned disposition, the agency shall “sanitize” or effectively make “inaccessible,” all licensed software and any electronic media pertaining to the agency. Hard drive erasure or destruction certification is still required even if the asset originally cost less than \$5,000 and was not included in the capital asset inventory. According to the May 5, 2002 memorandum from the Chief Information Technology Security and Privacy Office on this subject, “ordinary file deletion procedures do not erase the information stored on hard disks or other magnetic media. Sanitizing erases or overwrites totally and unequivocally, all information stored on the media.”

EFFECT

Sensitive data may have been included on the equipment which was disposed.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

11-01 Capital Assets (State Compliance – Continued)

CAUSE

The Department did not have adequate record keeping at the time the assets were disposed.

RECOMMENDATION

We recommend the Department review its disposition procedures and ensure proper record keeping is maintained for all dispositions.

MANAGEMENT RESPONSE

Management agrees. The Administrative Services and Information Technology Division's has implemented systems to resolve disposition procedures and assure proper record keeping is maintained for all dispositions.

In effort to correct deficiencies and prevent a similar occurrence, the Department has taken the following corrective measures:

1. The implementation of an electronic means (K-box) to track IT equipment that is attached to the HSD network;
2. The development and implementation of an on-line Fixed Asset Management System (FAMS) that was designed to track fixed assets from acquisition to disposal;
3. The department strengthened procurement procedures, and;
4. A full time employee was hired as HSD's designated asset coordinator.

ASD will continue to work jointly with ITD to assure accurate records.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

11-02 Resolution of Reconciling Items (State Compliance)

CONDITION

During our testing we noted that the Department is reconciling the balance sheet accounts each month, however, reconciling items are not always researched and resolved as part of the monthly reconciling process. The initial trial balance provided by the Department included immaterial balances in accounts receivable and accounts payable that related to prior years.

CRITERIA

Sound internal controls include reconciling and resolving any old account balance items.

EFFECT

There is increased risk that fraud or errors may go undetected.

CAUSE

The Department's month end reconciliation process does not include procedures to research and resolve all the reconciling items each month for all the balance sheet accounts.

RECOMMENDATION

We recommend that the Department develop and implement procedures to research and resolve reconciling items for all of the balance sheet accounts.

MANAGEMENT RESPONSE

Management agrees. The Administrative Services Division will take steps to address old account balances and determine final resolution in 2012. In addition, the monthly reconciliation process and review by Management will include review of account balances.

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
EXIT CONFERENCE
Year Ended June 30, 2011**

The exit conference for the fiscal year 2011 audit of the New Mexico Human Services Department was held on December 12, 2011. The following individuals were present at the exit conference:

From the Human Services Department:

Sidonie Squier, Cabinet Secretary
Charissa Saavedra, Deputy Secretary
Brent Earnest, Deputy Secretary
Danny Sandoval, Deputy Director, Administrative Services Division
Raymond Mensack, Acting General Counsel
Cathi Valdes, Deputy Director, Child Support Enforcement Division
Stephen M. Klump, Acting Director, Child Support Enforcement Division
Donna Sandoval, Deputy Director, Administrative Services Division
Martin Ortega, Bureau Chief, Compliance and Financial Systems Bureau, Administrative Services Division
Paula McGee, Healthcare Operations Manager
Carmella Trujillo, Bureau Chief, Administrative Services Division
Lupita Capelli, Bureau Chief, CSED
Ted Roth, Acting Director, Income Support Division
Carolee Graham, Acctg Bureau Chief, Administrative Services Division
Brian Pietrewicz, Acting CIO
Usha Shannon, Administrative Services Division
Mark Pitcock, Deputy Director of Medical Assistance Division

From Other State Agencies:

Yvonne Herrera, Department of Finance and Administration, CAFR Unit

From Moss Adams LLP:

Larry Carmony, Partner
Brandon Solwick, Manager
Elizabeth DeJong, Staff

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