

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

FINANCIAL STATEMENTS  
June 30, 2012

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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**OFFICIAL ROSTER**  
**June 30, 2012**

<b>Name</b>	<b>Title</b>
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	Director, Income Support
Penny Jimerson	Deputy Director, Income Support
Marilyn Martinez	Deputy Director, Income Support
Stephen Klump	Acting Director, Child Support Enforcement
Kathleen Valdes	Deputy Director, Child Support Enforcement
Julie Weinberg	Director, Medical Assistance
Mark Pitcock	Deputy Director, Medical Assistance
Nancy Smith-Leslie	Deputy Director, Medical Assistance
Diana McWilliams	Acting Director, Behavioral Health Services
Harrison Kinney	Deputy Director, Behavioral Health Services
Sean Pearson	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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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the New Mexico Human Services Department (the Department) as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the fiduciary fund as of June 30, 2012 and the budgetary comparison schedules presented as required supplemental information for the year ended June 30, 2012, 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. An audit also includes 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 Department are intended to present the financial position, and the changes in financial position, of only that portion of the governmental 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, present fairly the financial position of the State of New Mexico as of June 30, 2012 and 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 previously 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, 2012, 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 previously present fairly, in all material respects, the fiduciary fund and the budgetary comparison schedules of the Department as of June 30, 2012, 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 17, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CliftonLarsonAllen LLP*

Albuquerque, New Mexico  
December 17, 2012

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012**

**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, 2012. It should be read together with the financial statements, which follow it.

**Overview of the Financial Statements**

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

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

**Department-wide Financial Statements.** The department-wide financial statements include the first two financial statements, the *Statement of Net 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, 2012. 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 2012 fiscal year.

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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

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

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

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

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

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

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



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012**

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

**Analysis of the Department's Finances as a Whole**

The Department is pleased to provide comparative financial information for fiscal years 2010 through 2012. Management has not attempted to recast this information, except as adjusted in preparation of the fiscal year 2012 financial statements and information.

At the end of Fiscal Year 2012, the Department fund balance in the Medicaid Fund (976) and the General Operating Fund (052) is a deficit. In 2012, the Department made significant progress in reducing the deficit fund balance in the Medicaid Fund; the deficit was reduced by \$56 million. It is anticipated that in 2013 the Department will be successful in the appeal to the U.S. Department of Health and Human Services to reconsider the request to report \$19.7 million or the Department will have sufficient revenues to eliminate the deficit. The deficit fund balance in the General Operating fund was caused by under-reporting on federal grants in 2007 and 2008. The deficit is unfunded at this time; the Department will use excess revenues in future years to reduce the deficit. See Notes 19 and 20 to the Financial Statements, *Deficit Fund Balance – Fund 97600* and *Deficit Fund Balance and Allowance for Uncollectible Receivables – Fund 05200*, for further discussion.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**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, 2012, with comparative balances for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 1 – Net Assets**

	<u>Governmental Activities FY2012</u>	<u>Governmental Activities FY2011</u>	<u>Governmental Activities FY2010</u>	<u>Increase (Decrease) 2012 to 2011</u>	<u>% Change</u>
<b>Assets:</b>					
Current assets	\$ 313,189,621	\$ 265,544,708	\$ 322,517,191	\$ 47,644,913	18%
Non-current assets	<u>22,097,848</u>	<u>1,593,655</u>	<u>1,686,412</u>	<u>20,504,193</u>	1287%
Total assets	<u>\$ 335,287,469</u>	<u>\$ 267,138,363</u>	<u>\$ 324,203,603</u>	<u>\$ 68,149,106</u>	26%
<b>Liabilities:</b>					
Current liabilities	<u>\$ 343,602,069</u>	<u>\$ 356,771,347</u>	<u>\$ 409,846,247</u>	<u>\$ (13,169,278)</u>	-4%
Total liabilities	343,602,069	356,771,347	409,846,247	(13,169,278)	
<b>Net assets:</b>					
Invested in capital assets, net of related debt	22,097,848	1,593,655	1,686,412	20,504,193	1287%
Restricted	9,827,930	4,967,688	5,246,041	4,860,242	98%
Unrestricted	<u>(40,240,378)</u>	<u>(96,194,327)</u>	<u>(92,575,097)</u>	<u>55,953,949</u>	-58%
Total net assets (deficit)	<u>(8,314,600)</u>	<u>(89,632,984)</u>	<u>(85,642,644)</u>	<u>81,318,384</u>	-91%
<b>Total liabilities and net assets</b>	<u>\$ 335,287,469</u>	<u>\$ 267,138,363</u>	<u>\$ 324,203,603</u>	<u>\$ 68,149,106</u>	26%

The Department's net investment in capital assets totaled \$22,097,848 at June 30, 2012; the large increase from 2011 is for the new eligibility system ASPEN.

The Department's deficit net asset fund balance decreased by 91% from 2011 to a deficit fund balance of \$(8,314,600). The decrease in the deficit fund balance is primarily due to an increase in current assets of \$47.6 million and decreases in total liabilities of \$13 million. Current assets increased due to a deficiency appropriation received in June 2012 and a surplus in the Medicaid Fund.

The decrease in total liabilities is attributable to reversing \$20 million in unearned federal revenue recorded in 2010; the Department was able to fund this liability with the surplus in the Medicaid Fund. See Note 19 for further discussion of the deficit fund balance.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**Table 2 – Changes in Net Assets**

Table 2 presents the detail changes in net assets from 2010 to 2012. Net assets deficit fund balance decreased to \$(8,314,600), a 91% decrease from 2011.

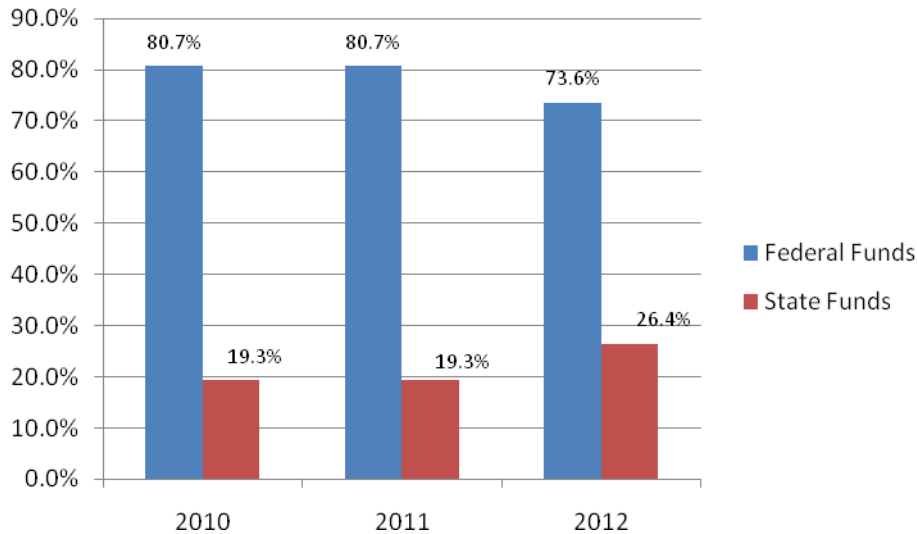
	<u>Governmental Activities FY2012</u>	<u>Governmental Activities FY2011</u>	<u>Governmental Activities FY2010</u>	<u>Increase (Decrease) 2012 to 2011</u>	<u>% Change</u>
<b>Revenues:</b>					
Program revenues:					
Charges for services	\$ 99,762,802	\$ 80,040,330	\$ 77,200,349	\$ 19,722,472	25%
Federal funds	<u>3,553,777,191</u>	<u>3,816,810,240</u>	<u>3,837,477,427</u>	<u>(263,033,049)</u>	-7%
Total program revenues	3,653,539,993	3,896,850,570	3,914,677,776	(243,310,577)	-6%
<b>General revenues and special items:</b>					
State appropriation, net	1,010,326,850	707,052,913	683,588,226	303,273,937	43%
Transfer from other					
State Agencies	<u>163,774,839</u>	<u>121,537,661</u>	<u>124,663,175</u>	<u>42,237,178</u>	35%
Total revenues	4,827,641,682	4,725,441,144	4,722,929,177	102,200,538	2%
<b>Expenses:</b>					
Healthcare services	3,659,733,799	3,698,368,111	3,828,735,392	(38,634,312)	-1%
Financial assistance	814,462,463	754,726,564	676,931,461	59,735,899	8%
General government	<u>257,908,389</u>	<u>276,336,809</u>	<u>315,156,861</u>	<u>(18,428,420)</u>	-7%
Total expenses	<u>4,732,104,651</u>	<u>4,729,431,484</u>	<u>4,820,823,714</u>	<u>2,673,167</u>	0%
Increase (decrease)					
in net assets	95,537,031	(3,990,340)	(97,894,537)	99,527,371	-2494%
Net assets, beginning of year	<u>(103,851,631)</u>	<u>(85,642,644)</u>	<u>12,251,893</u>	<u>(18,208,987)</u>	21%
<b>Net assets, end of year</b>	<u>\$ (8,314,600)</u>	<u>\$ (89,632,984)</u>	<u>\$ (85,642,644)</u>	<u>\$ 81,318,384</u>	-91%

Table 2 reflects 2% growth in total program revenues due to increases in appropriations and transfers from other State Agencies.

Total expenditures increased by less than 1%, caused by increased demand for Supplemental Nutritional Assistance Program (SNAP) benefits. Costs of the new eligibility system ASPEN resulted in expenditure increases in General Government. Medicaid Program expenditures decreased in 2012 by 1% or \$39 million.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Figure 1 – Changes in Federal and State Revenues**



The comparison of the Department's federal and state revenues over the past three years is shown in Figure 1. The Department's level of federal funds in 2012 decreased due to the loss of ARRA funding across all programs. The remaining 26.4% matching funds were comprised of State general revenue appropriations, reimbursements from other state agencies, miscellaneous revenues and transfers.

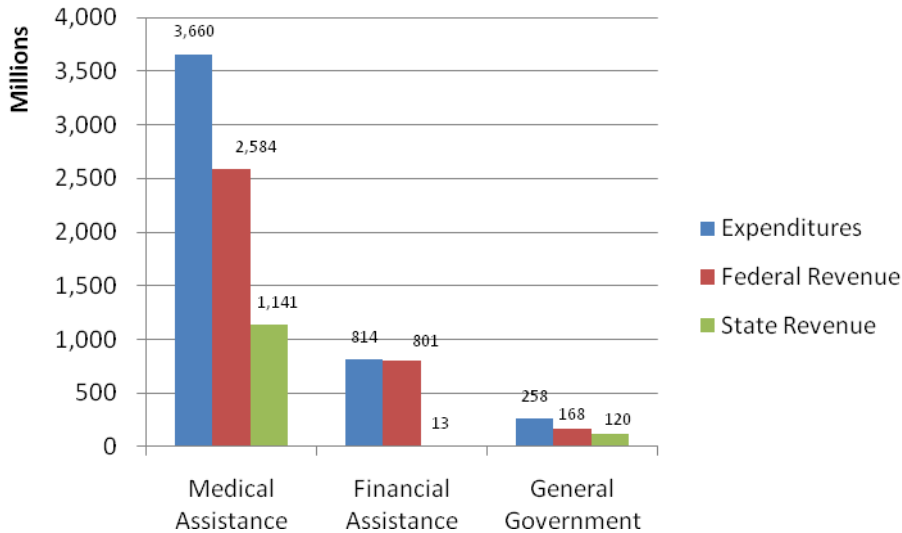
The heavy reliance on federal funding and the size of the Department's overall budget subject the Department to significant external oversight of its program and fiscal operations. The detail amounts of grant funded expenditures can be seen in the Schedule of Expenditures of Federal Awards (SEFA) on page 71.

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

**Governmental Activities.** Costs not covered by program revenues are covered by the sources of general revenues (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 2012.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**Figure 2 – Total Expenditures and Revenues**



The total costs of all the Department's governmental activities this year was \$4,732,104,651. Of these total costs, 77% were for medical assistance services provided to eligible residents of the state, primarily under the Medicaid program of which 70% was financed by federal grants, and general revenues and charges for services funded 30%. Most of the state appropriations are committed to match the federal government's share of the costs of the medical assistance program.

A total of \$814,462,463 or 17% of total costs pertains to financial assistance provided to eligible residents; 98.4% of these costs were funded by federal grants. The remaining 1.6% was financed with state funds, including charges for services. The increase from 2011 is caused in part by the appropriation for the transfers out of \$30 million being reclassified from general government to financial assistance. The remaining \$30 million increase is due to the increased demand for Supplemental Nutritional Assistance Program (SNAP) benefits.

The costs for general government were incurred in the administration of the Medical Assistance, Child Support, Financial Assistance Programs and Behavioral Health Services Programs. These costs decreased from 2011 due to the appropriation for the transfers out of \$30 million being reclassified from general government to financial assistance. Total expenditures for general government were \$257,908,389; 65% of these costs were financed by federal grants and 45% by state funds, including charges for services.

**General Fund Budgetary Highlights**

**Original Budget Compared to Amended Budget.** Differences between the original budget and the final amended budget were a result of various budget adjustments and appropriations. The agency budgeted federal funds, miscellaneous revenues, the reauthorization of computer systems enhancement funds, and the associated certified federal financial participation. Other significant budget increases occurred in the Medicaid program budget and the Supplemental Nutrition Assistance Program (SNAP) budget resulting from increases in federal funds.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**Original Budget Compared to Amended Budget**

- In Fund 052 (General Operating Fund) there were increases totaling \$17,959,773.
  - In P522 there were 5 budget increases processed totaling \$6,042,848. One of the adjustments was to create budget authority for the Health Exchange Establishment Grant totaled \$5,041,154. A second adjustment was processed to create budget authority for a Robert Wood Johnson grant to support the Health Insurance Exchange planning process of \$110,550, and a third amount of \$286,616 to budget the Health Insurance Exchange Planning Grant balances carried forward from FY2011 totaled. Budget increases in P522 also included a \$490,400 increase to budget unanticipated federal funds due to a higher earn rate in this P code than had been our previous experience. Finally, an adjustment to budget the DASIS grant in the Information Technology Division of 114,218 was processed to fund the creation of a data warehouse in support of Behavioral Health Services Division IT needs.
  - In P524, there were 6 increases totaling \$7,059,509. All of the increases were from Federal Funds that were not anticipated when the FY12 budget was established.
  - In P525, one increase was processed to budget the SNAP DOD funds that were awarded to the state and not part of the original operating budget.
  - In P767, there were 11 increases processed totaling \$3,043,726. All of the increases were from Federal Funds. Four of the increases were to budget new Federal Grants that were awarded to the Department. The remaining seven adjustments were to reconcile the budget to the grant of award and prior year carryover funds.
- In Fund 974 (Income Support L Warrants), there was one increase processed totaling \$7,192,125 to bring the budget in line with the Grant of Award for LIHEAP payments.
- In Fund 975, there were three increases totaling \$126,253,447. The major portion of these increases is 100% federal for the SNAP program and funds totaling \$124,689,500 to address the increase in the SNAP caseload.
- In Fund 976 (Medical Assistance), there was one transfer of \$35,000 in P525 to fund a caseload increase in the Non-Title XIX Medicals Program.
- In Fund 20520 (Traumatic Brain Injury Fund), an increasing adjustment of \$1,722,440 was processed to establish the budget for the program. The program was inadvertently not appropriated during the legislative process and had to be established through a budget adjustment.

Below are Special Appropriations that were processed in FY2012

- Two Special Appropriations to reduce the negative fund balance in the Medicaid program were budgeted in Fund 976 totaling \$46,806,621,
- A special appropriation of \$450,000 to fund the Senior SNAP Supplement was approved in a Special Session of the Legislature and budgeted Fund 975 in FY2012
- In Fund 901 (Data Processing Appropriations), multi-year budgets were established up to the amount approved by our Federal Partners in the Advanced Planning document \$63,163,700.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
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**Amended Budget Compared to Actual Expenditures and Revenues**

- In Fund 052, the ending fund balance of (\$4,846,485) reflects a restatement of fund balance due to prior receivables determined to be uncollectable. These amounts are outlined in the Meyers and Stauffer report produced for the Department in SFY12.
- In Fund 20520, revenue exceeded expenditures by \$1,912,204, which reflects the non-reverting balances in this fund. The Traumatic Brain Injury fund is a non-reverting interest bearing fund.
- In Fund 901, the ending fund balance is \$7,285,341, which reflects the balances in the ASPEN appropriations which had not yet expired at the end of SFY2012
- In Fund 974, total revenues and total expenditures equaled each other, reflecting the nature of the flow through of the LIHEAP program which has no match requirement.
- In Fund 975, total revenues exceeded total expenditures by \$284,677, which is the SSIAR balances authorized to be retained and rolled forward to SFY13 for the General Assistance Program.
- In Fund 976, the ending fund balance is negative 31,612,759, which reflects two appropriations by the legislature totaling \$35,801,621 to address the negative fund balance in the Medicaid fund attributable to the CMS 64 reporting issue from prior periods. The ending negative balance also is reduced through application of year end surpluses in the Medicaid program of \$23,962,000. The Department by Statute (NMSA 1978 - 6-10-4) is allowed to pay prior period expenditures from current year budget.

**Capital Assets and Debt Management**

**Capital Assets.** The Department's investment in capital assets as of June 30, 2012 amounted to \$22,097,848, net of accumulated depreciation. This investment in capital assets includes automobiles, equipment and machinery, data processing, and furniture and fixtures. The total increase in the Department's investment in capital assets for the current period was 1287%. The increase in capital assets was due to the data processing equipment purchases related to the new eligibility system ASPEN.

Total depreciation expense for the year was \$5,595,562. All depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Capital assets for the Department are presented in Note 5 to illustrate changes from the prior year.

**Debt.** At June 30, 2012, the Department had no long-term debt resulting from borrowing.

**Things Affecting the Department's Future**

**Modernize and Improve New Mexico's Medical Assistance Programs**

In March 2011 the Medical Assistance Division began the effort to change the Medicaid program's structure to improve health outcomes and cost management, and to ensure the long-term sustainability of the program. In February 2012, the Department released its concept for the new program – Centennial Care – and set a date for implementation of January 1, 2014. The goal to modernize and improve the medical assistance programs involves 6 tasks:

1. Modernize by preparing and implementing the Centennial Care program under the authority of a global 1115 research and demonstration waiver as approved by the Center for Medicare and Medicaid Services (CMS). Centennial Care is based on four principles:

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

- Administrative Simplicity and effective Managed Care Organization (MCO) contract management,
  - Creating a Comprehensive and Coordinated Delivery System,
  - Paying for Performance, and
  - Personal Responsibility.
2. Operate the Medicaid program within budget constraints by controlling costs and focusing on quality over quantity.
  3. Adopt and Use Health Information Technology
    - Access and maximize federal dollars available to states and Medicaid providers for HIT development, deployment and use.
    - Collect clinical data made available through HIT and using these data to measure program performance and inform policy decisions.
    - Measure health care outcomes of Medicaid recipients.
    - Identify and reduce program waste and duplication.
  4. Establish a State Based Health Insurance Exchange

The Office of Healthcare Reform (OHCR) which resides under the Department will seek funding for a Second Level I Exchange Establishment grant to implement the planning and development activities. The OHCR will coordinate eligibility procedures in ISD Field Offices with those of NM's Health Insurance Exchange in order to meet defined standards and conditions in terms of timeliness, accuracy, efficiency and integrity. OCHR will also keep stakeholders informed and involved through progress reports to the legislature, the public and other stakeholders, including key decisions, analysis of available data and policy options.
  5. Improve Program Integrity and Combat Health Care Fraud, Waste and Abuse

The Department's Medical Assistance Division, Office of Inspector General in coordination with the NM Attorney General's Medicaid Fraud Control Unit, is increasing efforts to combat suspected Medicaid fraud and reduce waste and abuse in the Medicaid program.
  6. Improve Health Outcomes for New Mexicans by providing access to medically necessary services and access to quality health care, ensure that the department's approach is consistent with health care reform principles and promote early intervention, preventive care, and attainment of improved clinical outcomes

**ASPEN (Automated System Program and Eligibility Network)**

ISD2 is the eligibility determination and case management system that supports the administration of public assistance programs in New Mexico. The system is also used in the establishment of claims and has numerous interfaces. The application has been in operation for over 23 years using legacy technologies. It was designed and has been operating with program modules that were developed in the 1970s.

ASPEN is the name of the ISD2 replacement system. The scheduled implementation of ASPEN is late 2013 or early 2014. The ASPEN project team is organized as a Project Management Office (PMO), and is comprised of both HSD staff and contractors. Project activities in 2013 include quality assurance testing, data cleanup, preparing test scripts and developing plans for training. The financial summary for the total project follows and is based



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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on the approved Advanced Planning Document Update (APDU) by federal partners in March 2012.

- Total project funding of \$105,060,012.
- United States Department of Agriculture (USDA) Supplemental Nutritional Assistance Program (SNAP) allocation is 6.47% of the total project with federal participation of 50% of this amount.
- Centers for Medicare and Medicaid Services (CMS) allocation is Medicaid at 96.75% of the CMS share at 90% federal participation and CHIP is 3.25% of the CMS share at 78.55% federal participation (changing to 78.35% as of 10/1/2012)
  - Effective April 1, 2012 CMS federal participation for software assets is 75% federal participation.
- Total estimated state share for the project is \$18,952,244

**Contacting the Department's Financial Management**

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 25,750
Investment in State General Fund Investment Pool	<u>12,508,714</u>
	<u>12,534,464</u>
Receivables:	
Federal grants, net	267,421,197
Due from fiduciary fund	520
Accounts receivable, net	6,753,431
Due from other state agencies	<u>26,271,377</u>
Net receivables	300,446,525
Supplies and commodities inventory and other	<u>208,632</u>
Total current assets	<u>313,189,621</u>
<b>NON-CURRENT ASSETS</b>	
Capital assets, net	<u>22,097,848</u>
<b>TOTAL ASSETS</b>	<u>\$ 335,287,469</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 26,894,660
Accrued payroll	3,625,544
Healthcare services payable	179,788,953
Due to State General Fund Investment Pool	95,150,253
Reversion payable to State General Fund	155,788
Compensated absences	3,442,425
Other liabilities	551,264
Due to other state agencies	13,826,393
Deferred revenue	20,020,922
Due to other entities	<u>145,867</u>
Total liabilities	<u>343,602,069</u>
<b>NET ASSETS (DEFICIT)</b>	
Invested in capital assets	22,097,848
Restricted for special programs	9,827,930
Unrestricted	<u>(40,240,378)</u>
Total net assets (deficit)	<u>(8,314,600)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 335,287,469</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net Revenue (Expense) and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Healthcare services	\$ 3,659,733,799	\$ 85,394,709	\$ 2,584,436,826	\$ (989,902,264)
Financial assistance	814,462,463	2,830,744	801,040,573	(10,591,146)
General government	<u>257,908,389</u>	<u>11,537,349</u>	<u>168,299,792</u>	<u>(78,071,248)</u>
Total governmental activities	<u>\$ 4,732,104,651</u>	<u>\$ 99,762,802</u>	<u>\$ 3,553,777,191</u>	<u>(1,078,564,658)</u>
General revenues and transfers:				
				1,010,406,815
				(79,965)
				<u>163,774,839</u>
				Total general revenues and transfers <u>1,174,101,689</u>
				Change in net assets 95,537,031
				Net assets (deficit), beginning of year (89,632,984)
				Restatement <u>(14,218,647)</u>
				Net assets (deficit), beginning of year, as restated <u>(103,851,631)</u>
				Net assets, end of year <u>\$ (8,314,600)</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2012

	05200	20520	89000
	General Fund	Traumatic Brain Injury	ARRA
<b>ASSETS</b>			
Cash	\$ 750	\$ -	\$ -
Investment in State General Fund			
Investment Pool	-	2,118,995	-
Federal grants, net	31,822,513	-	183,929
Accounts receivable, net	179,477	41,520	142
Due from other funds	929	-	-
Due from other state agencies	140,120	-	-
Supplies and commodities inventory and other	155,379	-	-
<b>TOTAL ASSETS</b>	<b>\$ 32,299,168</b>	<b>\$ 2,160,515</b>	<b>\$ 184,071</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 12,284,994	\$ 241,311	\$ -
Accrued payroll	3,479,462	-	121
Healthcare services payable	-	-	-
Due to State General Fund			
Investment Pool	13,581,699	-	183,419
Reversion payable to State General Fund	29,815	-	122
Other liabilities	275,070	-	-
Due to other funds	-	-	409
Due to other state agencies	7,212,683	-	-
Deferred revenue	196,061	-	-
Due to other entities	85,869	-	-
Total liabilities	<u>37,145,653</u>	<u>241,311</u>	<u>184,071</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable - inventory	155,379	-	-
Restricted	338,709	-	-
Committed	-	1,919,204	-
Assigned	-	-	-
Unassigned	(5,340,573)	-	-
Total fund balances (deficit)	<u>(4,846,485)</u>	<u>1,919,204</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,299,168</b>	<b>\$ 2,160,515</b>	<b>\$ 184,071</b>

<b>Major Funds</b>					
<b>90100</b>	<b>97400</b>	<b>97500</b>	<b>97600</b>		<b>Total</b>
<b>Data</b>	<b>Income</b>	<b>Income</b>	<b>Medical</b>		<b>Governmental</b>
<b>Processing</b>	<b>Support</b>	<b>Support</b>	<b>Assistance</b>		<b>Funds</b>
<b>Appropriations</b>	<b>L Warrants</b>	<b>N Warrants</b>			
\$ -	\$ -	\$ -	\$ 25,000		\$ 25,750
7,591,123	-	2,798,596	-		12,508,714
5,348,451	671,656	8,864,637	220,530,011		267,421,197
-	-	56,423	6,475,869		6,753,431
-	-	-	-		929
-	-	-	26,131,257		26,271,377
-	-	53,253	-		208,632
<u>\$ 12,939,574</u>	<u>\$ 671,656</u>	<u>\$ 11,772,909</u>	<u>\$ 253,162,137</u>		<u>\$ 313,190,030</u>
\$ 5,554,294	\$ 574,355	\$ 5,103,526	\$ 3,136,180		\$ 26,894,660
84,218	-	61,743	-		3,625,544
-	-	-	179,788,953		179,788,953
-	56,537	-	81,328,598		95,150,253
1	-	76,344	49,506		155,788
4,208	2,517	41,309	228,160		551,264
-	-	-	-		409
11,512	-	6,130,307	471,891		13,826,393
-	-	53,253	19,771,608		20,020,922
-	38,247	21,751	-		145,867
<u>5,654,233</u>	<u>671,656</u>	<u>11,488,233</u>	<u>284,774,896</u>		<u>340,160,053</u>
-	-	-	-		155,379
-	-	-	-		338,709
7,285,341	-	284,676	-		9,489,221
-	-	-	-		-
-	-	-	(31,612,759)		(36,953,332)
<u>7,285,341</u>	<u>-</u>	<u>284,676</u>	<u>(31,612,759)</u>		<u>(26,970,023)</u>
<u>\$ 12,939,574</u>	<u>\$ 671,656</u>	<u>\$ 11,772,909</u>	<u>\$ 253,162,137</u>		<u>\$ 313,190,030</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

<b>Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)</b>	<b>\$ (26,970,023)</b>
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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.

The cost of capital assets is	27,693,410
Accumulated depreciation is	<u>(5,595,562)</u>

Total capital assets	22,097,848
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Long-term and certain other liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

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

Compensated absences payable	<u>(3,442,425)</u>
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<b>Net assets of governmental activities (Statement of Net Assets)</b>	<b><u>\$ (8,314,600)</u></b>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	05200	20520	89000
	General Fund	Traumatic Brain Injury	ARRA
<b>REVENUES</b>			
Federal grants	\$ 151,477,849	\$ -	\$ -
Other revenues	7,983,923	3,553,426	-
Total revenues	<u>159,461,772</u>	<u>3,553,426</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Healthcare services:			
Contractual services	-	-	-
Healthcare services:	-	-	-
Total healthcare services	<u>-</u>	<u>-</u>	<u>-</u>
Financial assistance:			
Personal services	-	-	-
Contractual services	-	-	-
Financial assistance	-	-	-
Other operating costs	-	-	-
Total financial assistance	<u>-</u>	<u>-</u>	<u>-</u>
General government:			
Personal services	92,538,769	-	-
Contractual services	101,175,135	1,634,222	-
Other operating costs	34,350,537	-	-
Total general government	<u>228,064,441</u>	<u>1,634,222</u>	<u>-</u>
Capital outlay	441,756	-	-
Total expenditures	<u>228,506,197</u>	<u>1,634,222</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(69,044,425)</u>	<u>1,919,204</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State General Fund appropriations	100,501,823	-	-
Transfers in from other state agencies	787,677	-	-
Transfers out to other state agencies	(18,149,060)	-	-
Reversions-FY12	(3,621)	-	-
<b>NET OTHER FINANCING SOURCES (USES)</b>	<u>83,136,819</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	14,092,394	1,919,204	-
<b>FUND BALANCES, BEGINNING</b>	(4,720,232)	-	-
<b>RESTATEMENT</b>	<u>(14,218,647)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING, AS RESTATED</b>	<u>(18,938,879)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ (4,846,485)</u>	<u>\$ 1,919,204</u>	<u>\$ -</u>

Major Funds					
90100 Data Processing Appropriations	97400 Income Support L Warrants	97500 Income Support N Warrants	97600 Medical Assistance		Total Governmental Funds
\$ 16,821,943	\$ 12,639,992	\$ 788,400,581	\$ 2,584,436,826		\$ 3,553,777,191
-	-	2,830,744	85,394,709		99,762,802
<u>16,821,943</u>	<u>12,639,992</u>	<u>791,231,325</u>	<u>2,669,831,535</u>		<u>3,653,539,993</u>
-	-	-	14,289,819		14,289,819
-	-	-	3,645,443,980		3,645,443,980
-	-	-	3,659,733,799		3,659,733,799
-	-	620,624	-		620,624
-	-	14,089,410	-		14,089,410
-	12,639,992	761,615,621	-		774,255,613
-	-	959,322	-		959,322
-	<u>12,639,992</u>	<u>777,284,977</u>	-		<u>789,924,969</u>
-	-	-	-		92,538,769
-	-	-	-		102,809,357
-	-	-	314,043		34,664,580
-	-	-	314,043		230,012,706
<u>20,901,133</u>	-	-	-		<u>21,342,889</u>
<u>20,901,133</u>	<u>12,639,992</u>	<u>777,284,977</u>	<u>3,660,047,842</u>		<u>4,701,014,363</u>
(4,079,190)	-	13,946,348	(990,216,307)		(1,047,474,370)
7,661,015	-	9,992,862	892,251,115		1,010,406,815
-	-	-	162,987,162		163,774,839
-	-	(24,537,494)	(9,433,245)		(52,119,799)
-	-	(76,344)	-		(79,965)
<u>7,661,015</u>	-	<u>(14,620,976)</u>	<u>1,045,805,032</u>		<u>1,121,981,890</u>
3,581,825	-	(674,628)	55,588,725		74,507,520
3,703,516	-	959,304	(87,201,484)		(87,258,896)
-	-	-	-		(14,218,647)
<u>3,703,516</u>	-	<u>959,304</u>	<u>(87,201,484)</u>		<u>(101,477,543)</u>
\$ <u>7,285,341</u>	\$ -	\$ <u>284,676</u>	\$ <u>(31,612,759)</u>		\$ <u>(26,970,023)</u>

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



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

<b>Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$ 74,507,520</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

The decrease in compensated absences for the fiscal year was:	525,318
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay	21,342,889
Depreciation expense	<u>(814,471)</u>
Excess of depreciation expense over capital outlay	20,528,418
Loss on disposal of assets	<u>(24,225)</u>

<b>Change in net assets of governmental activities (Statement of Activities)</b>	<b><u>\$ 95,537,031</u></b>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
June 30, 2012

	97800 Child Support Enforcement
<b>ASSETS</b>	
Current assets:	
Interest in the State Treasurer General Fund Investment Pool	\$ 851,196
Other receivables, net of allowance of \$1,616,101	597,481
Due from other state agencies	<u>520</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,449,197</u>
<b>LIABILITIES</b>	
Current liabilities:	
Deposits held in trust for others	\$ 851,362
Other liabilities	597,315
Due to other funds	<u>520</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,449,197</u>

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – ORGANIZATION AND PURPOSE**

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

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

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

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

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

As the primary provider of social welfare programs in New Mexico, the Department is dependent on governmental funding and appropriations. For the year ended June 30, 2012, federal revenue represented 74% of the Department's total revenue.

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

**Use of Estimates in Preparing Financial Statements**

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Reporting Entity**

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

**Department-wide and Fund Financial Statements**

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

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

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

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

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

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

Special Revenue Fund (Traumatic Brain Injury) (20520) – The Traumatic Brain Injury fund is funded with an accumulation of five dollar fees attached to each moving traffic violation citation in the state of New Mexico. The fees are for programs and services dedicated to all individuals who have experienced a brain injury. For fiscal year 2012, funding is 100% from traffic fees. Unexpended state appropriations in fund 20520 revert back to the State General Fund for reappropriation when the appropriation period expires.

Special Revenue Fund (American Recovery and Reinvestment Act-ARRA) (89000) - 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. Unexpended state appropriations in fund 89000 revert back to the State General Fund for reappropriation when the appropriation period expires.

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Basis of Accounting**

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

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

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

Specifically, all revenues are recognized as follows:

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

**Capital Assets**

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

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

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

**Supplies and Commodity Inventories**

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

**Other Liabilities**

Other liabilities consist primarily of estimated program liabilities.

**Compensated Absences**

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

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

**Due to State General Fund Investment Pool**

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



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Net Assets**

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

**Invested in capital assets (net of any related debt)** – reflects the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

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

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

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

**Other Revenues and Transfers**

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

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

**Budgets and Budgetary Accounting**

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

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

Each year the Legislature approves multiple-year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

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

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

**Healthcare Services Payable**

Healthcare expenditures are accrued in the period during which services are provided and are based, in part, on estimates of accrued services provided but not yet reported by the providers to the Department. Healthcare services payable in the accompanying financial statements are 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.

**Subsequent Events**

Management evaluated subsequent events through December 17, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to December 17, 2012, that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 3 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED**

In June 2012, an independent expert diagnostic report revealed that the State General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx). The document title is, "Current State Diagnostic of Cash Control".

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues, such as income taxes, sales taxes, rents and royalties, and other recurring revenues, are credited to the State General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the State General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Department's balances at the business unit/fund level is not possible. Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices and banking structure. DFA is responsible for the completion of the State's book to bank reconciliation. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled, "Cash Management Plan and Business Processes". This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

Management of the Department performs daily reconciliations of deposits and reviews cash transactions to mitigate risk.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 4 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL**

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

At June 30, 2012 the Department had the following invested in/due to the State General Fund Investment Pool:

	<b>Fund</b>	<b>Department Balances</b>
Due to State General Fund Investment Pool:		
General Fund	05200	\$ (13,581,699)
ARRA	89000	(183,419)
Income support - L Warrants	97400	(56,537)
Medical assistance - P Warrants	97600	<u>(81,328,598)</u>
<b>Total</b>		<u><u>\$ (95,150,253)</u></u>
	<b>Fund</b>	<b>Balances</b>
Interest in the State General Fund Investment Pool:		
Traumatic brain injury	20520	\$ 2,118,995
Data processing appropriations	90100	7,591,123
Income support - N Warrants	97500	<u>2,798,596</u>
Total governmental funds		12,508,714
Child support enforcement - K Warrants	97800	<u>851,196</u>
<b>Total</b>		<u><u>\$ 13,359,910</u></u>
Other cash balances:		
Petty cash		\$ 750
Wells Fargo Bank		<u>25,000</u>
<b>Total other cash balances</b>		<u><u>\$ 25,750</u></u>

**Interest Rate Risk**

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

**Credit Risk**

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – CAPITAL ASSETS**

Governmental activities:

Current year depreciation expense of \$814,471 was allocated entirely to the general government function in the government-wide statement of activities.

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Capital assets, not being depreciated:				
Software implementation in progress	\$ -	\$ 19,984,408	\$ -	\$ 19,984,408
Capital assets, being depreciated:				
Automobiles	945,851	-	-	945,851
Equipment and machinery	1,015,946	-	-	1,015,946
Data processing equipment	4,543,012	1,358,481	(250,290)	5,651,203
Furniture and fixtures	<u>96,002</u>	<u>-</u>	<u>-</u>	<u>96,002</u>
Total capital assets	<u>6,600,811</u>	<u>21,342,889</u>	<u>(250,290)</u>	<u>27,693,410</u>
Accumulated depreciation				
Automobiles	(835,419)	(33,736)	-	(869,155)
Equipment and machinery	(822,789)	(80,106)	-	(902,895)
Data processing equipment	(3,278,758)	(690,090)	226,065	(3,742,783)
Furniture and fixtures	<u>(70,190)</u>	<u>(10,539)</u>	<u>-</u>	<u>(80,729)</u>
Total accumulated depreciation	<u>(5,007,156)</u>	<u>(814,471)</u>	<u>226,065</u>	<u>(5,595,562)</u>
<b>Total capital assets</b>	<u>\$ 1,593,655</u>	<u>\$ 20,528,418</u>	<u>\$ (24,225)</u>	<u>\$ 22,097,848</u>

**NOTE 6 – ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
<b>Total compensated absences</b>	<u>\$ 3,967,743</u>	<u>\$ 3,923,952</u>	<u>\$ (4,449,270)</u>	<u>\$ 3,442,425</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, 2012**

**NOTE 7 - UNSETTLED PROVIDER COST REPORTS AND UNFILED CLAIMS**

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

Cost reports with a fiscal year ending up to December 31, 2011 were 80.63% completed by June 30, 2012. Cost reports filed after this date are pending review, approval of audit adjustments and final settlement. The Department estimated and recorded the amounts it expects to pay or receive upon final settlement of these cost reports.

**NOTE 8 - CONTINGENT LIABILITIES AND COMMITMENTS**

In the normal course of business, the Department's various programs are subject to audit by applicable agencies of the U.S. Government. The Department is also subject to a variety of claims and lawsuits that arise from time to time. Results of such audits, claims and lawsuits may or may not result in losses to the Department. In accordance with SFAS No. 5, *Accounting for Contingencies*, amounts are recorded as charges to expenditures when management, after taking into consideration the facts and circumstances of each matter, including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of June 30, 2012, the Department was aware of two related federal audits issued by DHHS OIG covering personal care services (PCO) in which the likelihood of an unfavorable outcome is probable. At this time, an amount due to the federal government related to these audits is undetermined. The Department at June 30, 2012 was also aware of a case involving reimbursements for pharmaceutical payments and the interpretation of a state statute that gives pharmacists a fixed fee for dispensing drugs under the Medicaid program. The New Mexico Court of Appeals both affirmed and reversed in part the district court's opinion and remanded the case for further proceedings. The case is now in the Supreme Court, oral arguments are set for January 2013 and mediation is set for December 13 and 14, 2012. A settlement amount related to this case is undetermined.

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

**Plan Description**

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 9 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**  
**(CONTINUED)**

**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 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, 2012, 2011 and 2010 were \$8,439,523, \$10,355,057 and \$10,863,171, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

**NOTE 10 - SPECIAL APPROPRIATIONS**

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

Description	Authority	Appropriation Period
<b>FUND 901 - DATA PROCESSING  APPROPRIATIONS</b>		
ASPEN	New HSD Eligibility System	July 2007 to June 2013
YES-NM	Information changes in the Information Technology Division	July 2007 to June 2012
ISD2 Refresh (HSD3)	Convert current Human Services systems into layered structure HSD3	July 2007 to June 2012
LIHEAP	Continued funding for replacement of ISD computer system	May 2010 to June 2014
<b>Fund 901 total</b>		
<b>FUND 975 - INCOME  SUPPORT</b>		
	Supplemental for SNAP Program	July 2011 to June 2012
<b>Fund 975 total</b>		
<b>FUND 976 - MEDICAL  ASSISTANCE</b>		
	Shortfall in medical assistance	July 2011 to June 2012
	Shortfall in medical assistance	July 2011 to June 2012
<b>Fund 976 total</b>		



<u>Original Appropriation</u>	<u>Cumulative Expenditures 6/30/2012</u>	<u>Amount to be Reverted</u>	<u>Unencumbered Appropriations</u>
\$ 6,392,000	\$ 13,440	\$ -	6,378,560
2,000,000	2,000,000	-	-
1,500,000	1,499,999	1	-
<u>1,900,000</u>	<u>993,219</u>	<u>-</u>	<u>906,781</u>
<u>\$ 11,792,000</u>	<u>\$ 4,506,658</u>	<u>\$ 1</u>	<u>\$ 7,285,341</u>
<u>\$ 400,000</u>	<u>\$ 324,063</u>	<u>\$ 75,937</u>	<u>\$ -</u>
<u>\$ 400,000</u>	<u>\$ 324,063</u>	<u>\$ 75,937</u>	<u>\$ -</u>
\$ 35,000,000	\$ 35,000,000	\$ -	\$ -
<u>11,807,000</u>	<u>11,807,000</u>	<u>-</u>	<u>-</u>
<u>\$ 46,807,000</u>	<u>\$ 46,807,000</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

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

**Plan Description**

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions 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 event 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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 the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Department's contributions to the RHCA for the years ended June 30, 2012, 2010 and 2009 were \$1,208,117, \$1,136,110 and \$927,144, respectively, which equal the required contributions for each year.

**NOTE 12 – LEASE COMMITMENTS**

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

Years ending June 30:

2013	\$ 17,890,228
2014	14,977,737
2015	13,023,465
2016	12,157,988
2017	10,895,008
2018 – 2022	32,484,423
2023 – 2024	<u>5,142,276</u>
<b>Total</b>	<b><u>\$ 106,571,125</u></b>

Total rent expense for office space and equipment for the fiscal year ended June 30, 2012 was as follows:

Office space	16,754,796
Equipment	<u>1,038,727</u>
<b>Total</b>	<b><u>\$ 17,793,523</u></b>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 13 - REVERSION PAYABLE TO STATE GENERAL FUND**

Unexpended cash balances of the Department's governmental funds are subject to reversion to the State's General Fund unless they are multi-year appropriations or the appropriation periods are specifically extended by act of the Legislature. Funds held on behalf of others in the Department's Child Support Enforcement Fund are excluded from reversion because monies in the Fund do not belong to the Department or the State. During the fiscal year ending June 30, 2012, the Department reverted \$195,452 pertaining to fiscal year 2011 and \$6,128,111 pertaining to fiscal years 2010, 2009 and 2008. The Department will be reverting \$155,788 in fiscal year 13 for returned funds from fiscal year 2012 and prior. The Department accrued a \$79,965 liability for reversions specifically related to fiscal year ending June 30, 2012. The \$22,177 shown for fiscal year 2011 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 reversions payable by fund, program and appropriation period were as follows:

**Prior Fiscal Years**

Fund 901	Data Processing	Fiscal Year 2008	\$ 1
Fund 052	General Fund	Fiscal Year 2011	22,177
Fund 052	General Fund	Fiscal Year 2011	4,017
Fund 890	ARRA	Fiscal Year 2011	122
Fund 976	Medical Assistance	Fiscal Year 2010	49,506
			<u>\$ 75,823</u>

**Current Fiscal Year**

Fund 052	General Fund	Fiscal Year 2012	\$ 3,621
Fund 975	Income Support	Fiscal Year 2012	76,344
			<u>\$ 79,965</u>

**STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 14 - TRANSFERS IN AND TRANSFERS OUT**

<u>State Agency/Fund</u>	<u>Business Unit</u>	<u>SHARE Fund No.</u>	<u>Purpose</u>
<b>TRANSFERS IN</b>			
Children Youth & Families Dept.	69000	06700	Treatment Foster Care
Children Youth & Families Dept.	69000	06700	EPSSDT
Department of Health	66500	06100	Medicaid and TANF Services
Department of Health	66500	06100	FQHCS
Department of Health	66500	06100	Early Intervention
Department of Health	66500	06100	PASAAR
Aging and Long-term Services	62400	04900	Services to Elderly
Dept. of Finance & Administration	34100	02100	County Supported Medicaid Fund (Admin)
Dept. of Finance & Administration	34100	62000	Tobacco Settlement
Dept. of Finance & Administration	34100	62000	Government Stabilization
State General Fund Appropriation:			
Dept. of Finance & Administration	34100	62000	Regular Appropriation
Dept. of Finance & Administration	34100	62000	Special Appropriation

<b>General Fund (05200)</b>	<b>Data Processing (90100)</b>	<b>Medical Assistance (97600)</b>	<b>Income Support (97500)</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	89,146,605	-	89,146,605
-	-	481,600	-	481,600
-	-	6,759,762	-	6,759,762
-	-	-	-	-
-	-	263,616	-	263,616
787,677	-	25,468,224	-	26,255,901
-	-	40,867,355	-	40,867,355
-	-	-	-	-
<u>\$ 787,677</u>	<u>\$ -</u>	<u>\$ 162,987,162</u>	<u>\$ -</u>	<u>\$ 163,774,839</u>
\$ 100,501,823	\$ -	\$ 892,251,115	\$ 9,992,862	\$1,002,745,800
-	7,661,015	-	-	7,661,015
<u>\$ 100,501,823</u>	<u>\$ 7,661,015</u>	<u>\$ 892,251,115</u>	<u>\$ 9,992,862</u>	<u>\$1,010,406,815</u>

**STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 14 - TRANSFERS IN AND TRANSFERS OUT (CONTINUED)**

State Agency/Fund	Business Unit	SHARE Fund No.	Purpose
<b>TRANSFERS OUT</b>			
Children Youth & Families Dept.	69000	06700	Medicaid Case Management
Children Youth & Families Dept.	69000	06700	CMHS - Domestic Violence
Children Youth & Families Dept.	69000	49100	TANF - Child Care & Training
Children Youth & Families Dept.	69000	06700	Employment & Training Child Care
Children Youth & Families Dept.	69000		Children's Program
Department of Health	66500	60100	Payment to Public Providers
Department of Health	66500	06104	Public Health Division
Department of Health	66500	06100	Medicaid - EPSDT
Department of Health	66500	06100	Medicaid - Families First
Department of Health	66500	06100	Medicaid - LTSD - DHI
Department of Health	66500	06100	Medicaid - Nurse Aide Training
Department of Health	66500	06100	Medicaid - PASARR
Department of Health	66500	06100	Medicaid - MF Waiver
Department of Health	66500	06100	Medicaid - DD Waiver
Department of Health	66500	06100	Medicaid - Aids Waiver
Department of Health	66500	06100	Medicaid - ICF for the MR and Long Term Care
Department of Health	66500	06100	Medicaid - Maternal Child Health Initiative
Department of Health	66500	06100	Medicaid - WDI
Department of Health	66500	06100	Medicaid - Admin Claiming
Department of Health	66500	06104	Refugee CMA - Health Screening
Aging and Long-term Care Dept.	62400	04900	Medicaid - Administration
Developmental Disabilities Planning Council	64700	07900	Medicaid - Guardianship
Developmental Disabilities Planning Council	64700	07900	Medicaid - BabyNet
Public Education Department	64400	50000	Medicaid - WDI
Public Education Department	64400	50000	Medicaid - DVR Services
Public Education Department	92400	79000	TANF - Grads Reality
Governor's Committee on Disability	64500	05800	Medicaid - WDI
Office of Work Force Training & Devel.	63500	32900	Medicaid - WDI
University of New Mexico	96900	3D041	Medicaid - ECHO
University of New Mexico	96900		Medicaid - ARC
University of New Mexico	96900	330Q6	Medicaid - Envision NM
University of New Mexico	96900		Medicaid - CHIPRA Quality Grant
University of New Mexico	96900		Medicaid - WDI

General Fund (05200)	Income Support (97500)	Medical Assistance (97600)	Total
\$ 859,427	\$ -	\$ -	\$ 859,427
79,400	-	-	79,400
-	23,777,500	-	23,777,500
41,000	560,000	-	601,000
375,641	-	-	375,641
-	-	9,433,245	9,433,245
840,988	-	-	840,988
304,790	-	-	304,790
326,988	-	-	326,988
729,360	-	-	729,360
887	-	-	887
291,761	-	-	291,761
25,374	-	-	25,374
9,588,662	-	-	9,588,662
46,680	-	-	46,680
197,627	-	-	197,627
100,000	-	-	100,000
213,957	-	-	213,957
395,053	-	-	395,053
118,879	-	-	118,879
264,989	-	-	264,989
324,496	-	-	324,496
75,000	-	-	75,000
143,194	-	-	143,194
71,163	-	-	71,163
-	199,994	-	199,994
33,599	-	-	33,599
62,905	-	-	62,905
499,031	-	-	499,031
835,713	-	-	835,713
899,796	-	-	899,796
322,700	-	-	322,700
80,000	-	-	80,000
<u>\$ 18,149,060</u>	<u>\$ 24,537,494</u>	<u>\$ 9,433,245</u>	<u>\$ 52,119,799</u>



**STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 - DUE TO/FROM OTHER STATE AGENCIES**

State Agency	Business Unit	Purpose
<b>DUE TO OTHER STATE AGENCIES</b>		
Aging & Long-Term Services Department	62400	Long-term elderly care
Children, Youth and Families Department	69000	Medicaid and TANF Services
DD Planning Council	64700	Determine disability eligibility
Department of Health	66500	Medicaid and TANF Services
Department of Information Technology	36100	Support Services
Department of Workforce Solutions	63100	Workforce development
Division of Vocational Rehabilitation	64400	Determine disability eligibility
General Services Department	35000	Support Services
NM Corrections Industries	77000	Furniture purchase
State Records Center & Archives	36900	Support Services
Department of Education	92400	TANF Services
University of New Mexico		Envision New Mexico

**DUE FROM OTHER STATE AGENCIES**

Taxation and Revenue Department	33300	Reimbursement for shared facilities
Aging & Long-Term Services Department	80000	Reimbursement for shared facilities and BI
Aging & Long-Term Services Department	80000	Reimbursement for eligibility workers
Department of Corrections	77000	Reimbursement for shared facilities
Department of Finance & Administration	34100	County Supported Medicaid Funds
Division of Vocational Rehabilitation	64400	Reimbursement for shared facilities
Department of Health	66500	Rehab. Center, CMS, CCIC, programs
Department of Health	66500	CYFD Treatment Foster Care
NM Veterans' Commission	67000	Reimbursement for shared facilities

<b>General Fund (05200)</b>	<b>Data Processing Appropriations (90100)</b>	<b>Income Support N Warrants (97500)</b>	<b>Medical Assistance (97600)</b>	<b>Total</b>
\$ 55,609	\$ -	\$ -	\$ -	\$ 55,609
665,100	-	6,084,375	433,066	7,182,541
203,724	-	-	-	203,724
4,806,439	-	-	38,825	4,845,264
662,920	207	-	-	663,127
3,345	-	-	-	3,345
96,109	-	-	-	96,109
33,191	11,305	-	-	44,496
5,053	-	-	-	5,053
473	-	-	-	473
-	-	45,932	-	45,932
<u>680,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>680,720</u>
<u>\$ 7,212,683</u>	<u>\$ 11,512</u>	<u>\$ 6,130,307</u>	<u>\$ 471,891</u>	<u>\$ 13,826,393</u>
\$ 4,854	\$ -	\$ -	\$ -	\$ 4,854
2,404	-	-	-	2,404
17,755	-	-	-	17,755
14,921	-	-	-	14,921
90,185	-	-	2,915,959	3,006,144
8,610	-	-	-	8,610
-	-	-	23,214,876	23,214,876
-	-	-	422	422
1,391	-	-	-	1,391
<u>\$ 140,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,131,257</u>	<u>\$ 26,271,377</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 16 - RISK MANAGEMENT**

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

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

During the 2012 fiscal year, the Department paid Risk Management \$2,726,827 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, 2012, 2011 and 2010, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

**NOTE 17 - 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 FY 2011.

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

The Department did not have any assigned fund balances at June 30, 2012. A summary of the nature and purpose of these reserves by fund type at June 30, 2012 follows:

	<b>Restricted Purposes</b>	<b>Committed Purposes</b>
<b>General Fund:</b>		
DASIS funding – Behavioral Health	\$ 338,709	\$ -
<b>Total</b>	<b>\$ 338,709</b>	<b>\$ -</b>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 17 - FUND BALANCE (CONTINUED)**

	<b>Restricted Purposes</b>	<b>Committed Purposes</b>
<b>Data Processing Appropriations:</b>		
LIHEAP to ISD computer system (Laws 2010, Chapter 6, Section 7)	\$ -	\$ 906,781
Computer Enhancement Fund (Laws 2011, Chapter 179, Section 7)	-	6,378,560
<b>Total</b>	\$ -	\$ 7,285,341
<b>Income Support – N Warrants:</b>		
SSIR	\$ -	\$ 284,676
<b>Total</b>	\$ -	\$ 284,676
<b>Traumatic Brain Injury:</b>		
Brain injury service funds	\$ -	\$ 1,919,204
<b>Total</b>	\$ -	\$ 1,919,204

STATE OF NEW MEXICO HUMAN RESOURCES DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

**NOTE 18 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2012 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.

<u>Receivable Fund/ Governmental Fund</u>	<u>Purpose</u>	<u>ARRA Fund (89000)</u>	<u>Fiduciary Fund Child Support Enforcement</u>	<u>Total</u>
General Fund	Reimbursement Adjustments Payroll and Interest	\$ 409	\$ 520	\$ 929
		<u>\$ 409</u>	<u>\$ 520</u>	<u>\$ 929</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 19 - DEFICIT FUND BALANCE – FUND 97600**

The Medical Assistance Fund (97600) is in a deficit fund balance of \$31,612,759 as of June 30, 2012. The Department in 2010 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 Medicaid Program and has made significant progress in reducing the deficit fund balance. The status of the liability is as follows:

Medicaid prior year reporting shortfall	\$ 103,318,900
Two year timely filing waiver request denied by CMS:	
Sole Community Provider claim included in 2012 Projection Model	(20,493,627)
2011 Special Session Appropriation	(11,806,600)
2012 Regular Session Deficiency Appropriation	(35,000,000)
December 2010 Quarterly CMS64 Prior Quarter Adjustment	(2,305,200)
Repayment of funds to CMS for overdraws 2011 and 2012	(10,722,847)
Prior year liability balances included in 2012 Project Model	<u>(3,445,000)</u>
<b>Balance</b>	<b><u>\$ 19,545,626</u></b>

The remaining deficit fund balance of \$31 million is comprised of the \$19.7 million Disproportionate Share Hospital (DSH) claim that is recorded as deferred revenue until the Department's appeal is resolved, \$2 million due to declining federal matching percentages as prior years' claims are paid, and a \$10 million allowance for receivables that will be resolved in 2013.

**NOTE 20 - DEFICIT FUND BALANCE AND ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES – FUND 05200**

The General Operating Fund (05200) is in a deficit fund balance of \$4,846,485 as of June 30, 2012. The Department in 2012 recognized under-reporting of expenditures for administrative claims that spanned several large programs, totaling \$14 million. The under-reporting occurred in 2007 and 2008. In the past four years, the Department implemented reconciliation processes that prevented under-reporting. The Department was able to use federal performance bonuses to address all but \$4.8 million of the deficit. The deficit fund balance is the result of recognizing an allowance to the federal receivable in fund 052 totaling \$2.3 million, and \$2.5 million is unfunded as of June 30, 2012. 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 for the allowance of \$2.5 million.

The allowance for uncollectible receivables of \$7,762,624 in fund 052 includes the allowance noted above for federal accounts receivable and also miscellaneous receivable.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 21 – RESTATEMENT**

The July 1, 2011 beginning net assets on the government-wide financial statements and the Department's General Fund (05200) in the fund financials do not agree with the prior year financial statements due to an overstatement of federal accounts receivable from prior years. As a result of the restatement, the June 30, 2012 net assets balance on the government-wide financial statements and the Department's General Fund (05200) in the fund financials was decreased by \$14,218,647.

**Governmental Funds:**

	<b>05200 General Fund</b>
Fund balance, beginning of year, as previously stated	\$ (4,720,232)
Restatement	<u>(14,218,647)</u>
Fund balance, beginning of year, as restated	<u>\$ (18,938,879)</u>

**Statement of Net Assets:**

Net assets (deficit), beginning of year, as previously stated	\$ (89,632,984)
Restatement	<u>(14,218,647)</u>
Net assets (deficit), beginning of year, as restated	<u>\$ (103,851,631)</u>

**REQUIRED SUPPLEMENTAL INFORMATION**



STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 PROGRAM SUPPORT PROGRAM - P522  
 GENERAL APPROPRIATIONS  
 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			(Budgetary Basis)	Positive (Negative)
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	25,037,000	30,855,170	24,050,514	(6,804,656)
Other	<u>3,878,500</u>	<u>5,825,618</u>	<u>6,624,468</u>	<u>798,850</u>
<b>TOTAL REVENUES</b>	<u>28,915,500</u>	<u>36,680,788</u>	<u>30,674,982</u>	<u>(6,005,806)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	16,955,400	17,147,423	15,630,638	1,516,785
Contractual services	11,030,200	18,311,465	12,670,241	5,641,224
Healthcare services	-	-	-	-
Other cost	<u>12,816,600</u>	<u>13,108,600</u>	<u>12,285,638</u>	<u>822,962</u>
<b>TOTAL EXPENDITURES</b>	<u>40,802,200</u>	<u>48,567,488</u>	<u>40,586,517</u>	<u>7,980,971</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	11,886,700	11,886,700	11,886,700	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	-	-	-
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>11,886,700</u>	<u>11,886,700</u>	<u>11,886,700</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,975,165</u>	<u>\$ 1,975,165</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 CHILD SUPPORT PROGRAM - P523  
 GENERAL APPROPRIATIONS  
 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	18,739,100	18,739,100	19,693,684	954,584
Other	5,306,300	5,306,300	2,740,453	(2,565,847)
<b>TOTAL REVENUES</b>	<u>24,045,400</u>	<u>24,045,400</u>	<u>22,434,137</u>	<u>(1,611,263)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	19,576,300	19,576,300	18,505,685	1,070,615
Contractual services	7,008,400	7,008,400	6,499,898	508,502
Healthcare services	-	-	-	-
Other cost	5,094,500	5,094,500	4,876,610	217,890
<b>TOTAL EXPENDITURES</b>	<u>31,679,200</u>	<u>31,679,200</u>	<u>29,882,193</u>	<u>1,797,007</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	-	-	-	-
Compensation package	7,633,800	7,633,800	7,633,800	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	-	-	-
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>7,633,800</u>	<u>7,633,800</u>	<u>7,633,800</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,744</u>	<u>\$ 185,744</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 MEDICAL ASSISTANCE PROGRAM - P524  
 GENERAL APPROPRIATIONS  
 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	2,483,069,900	2,490,665,409	2,443,403,162	(47,262,247)
Other	132,553,300	132,553,300	86,174,040	(46,379,260)
<b>TOTAL REVENUES</b>	<u>2,615,623,200</u>	<u>2,623,218,709</u>	<u>2,529,577,202</u>	<u>(93,641,507)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	11,778,000	11,778,000	11,435,616	342,384
Contractual services	32,602,500	49,425,674	40,894,263	8,531,411
Healthcare services	3,439,604,125	3,429,416,460	3,342,718,256	86,698,204
Other cost	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,483,984,625</u>	<u>3,490,620,134</u>	<u>3,395,048,135</u>	<u>95,571,999</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	782,292,700	782,292,700	782,269,672	(23,028)
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	124,548,925	124,548,925	151,968,218	27,419,293
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	(38,480,200)	(39,440,200)	(26,103,369)	13,336,831
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>868,361,425</u>	<u>867,401,425</u>	<u>908,134,521</u>	<u>40,733,096</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,663,588</u>	<u>\$ 42,663,588</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 INCOME SUPPORT PROGRAM - P525  
 GENERAL APPROPRIATIONS  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	720,494,400	855,253,562	836,769,221	(18,484,341)
Other	4,741,800	4,741,800	4,202,381	(539,419)
<b>TOTAL REVENUES</b>	<u>725,236,200</u>	<u>859,995,362</u>	<u>840,971,602</u>	<u>(19,023,760)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	47,792,900	46,735,226	45,488,274	1,246,952
Contractual services	19,603,500	20,436,015	17,965,590	2,470,425
Healthcare services	-	-	-	-
Other cost	672,205,300	807,189,621	790,553,573	16,636,048
<b>TOTAL EXPENDITURES</b>	<u>739,601,700</u>	<u>874,360,862</u>	<u>854,007,437</u>	<u>20,353,425</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	39,099,000	39,099,000	39,099,000	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	-	-	-
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	(24,733,500)	(24,733,500)	(24,697,373)	36,127
Reversion	-	-	(76,344)	(76,344)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>14,365,500</u>	<u>14,365,500</u>	<u>14,325,283</u>	<u>(40,217)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,289,448</u>	<u>\$ 1,289,448</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 MEDICAID BEHAVIORAL HEALTH PROGRAM - P766  
 GENERAL APPROPRIATIONS  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	200,269,800	200,269,800	197,586,576	(2,683,224)
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<u>200,269,800</u>	<u>200,269,800</u>	<u>197,586,576</u>	<u>(2,683,224)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Healthcare services	284,996,500	284,996,500	267,504,168	17,492,332
Other cost	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>284,996,500</u>	<u>284,996,500</u>	<u>267,504,168</u>	<u>17,492,332</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	84,726,700	84,726,700	84,726,700	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	-	-	-
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>84,726,700</u>	<u>84,726,700</u>	<u>84,726,700</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,809,108</u>	<u>\$ 14,809,108</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 BEHAVIORAL HEALTH SERVICE PROGRAM - P767  
 GENERAL APPROPRIATIONS  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	14,461,300	17,406,896	15,452,092	(1,954,804)
Other	19,700	19,700	21,459	1,759
<b>TOTAL REVENUES</b>	<u>14,481,000</u>	<u>17,426,596</u>	<u>15,473,551</u>	<u>(1,953,045)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	2,211,600	2,099,177	2,099,177	-
Contractual services	52,078,100	55,168,817	53,158,595	2,010,222
Healthcare services	-	-	-	-
Other cost	495,500	560,932	546,987	13,945
<b>TOTAL EXPENDITURES</b>	<u>54,785,200</u>	<u>57,828,926</u>	<u>55,804,759</u>	<u>2,024,167</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	41,656,900	41,656,900	41,656,900	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	98,130	-	(98,130)
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	(1,352,700)	(1,352,700)	(1,296,029)	56,671
Reversion	-	-	(3,621)	(3,621)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>40,304,200</u>	<u>40,402,330</u>	<u>40,357,250</u>	<u>(45,080)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,042</u>	<u>\$ 26,042</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 PROGRAM SUPPORT PROGRAM - P522  
 SPECIAL APPROPRIATIONS  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fund balance	\$ 3,720,021	\$ 3,720,021	\$ -	\$ (3,720,021)
Miscellaneous	-	-	-	-
Federal grants	6,129,672	51,782,664	16,821,943	(34,960,721)
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<u>9,849,693</u>	<u>55,502,685</u>	<u>16,821,943</u>	<u>(38,680,742)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	-	2,671,630	1,370,624	1,301,006
Contractual services	17,510,708	58,241,976	18,242,356	39,999,620
Healthcare services	-	-	-	-
Other cost	-	2,250,094	1,288,150	961,944
<b>TOTAL EXPENDITURES</b>	<u>17,510,708</u>	<u>63,163,700</u>	<u>20,901,130</u>	<u>42,262,570</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	-	-	-	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	7,661,015	7,661,015	7,661,015	-
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>7,661,015</u>	<u>7,661,015</u>	<u>7,661,015</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,581,828</u>	<u>\$ 3,581,828</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 MEDICAL ASSISTANCE PROGRAM - P524  
 SPECIAL APPROPRIATIONS  
 Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>				
Fund balance	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Federal grants	-	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Healthcare services	-	-	-	-
Other cost	<u>46,806,621</u>	<u>46,806,621</u>	<u>37,280,024</u>	<u>9,526,597</u>
<b>TOTAL EXPENDITURES</b>	<u>46,806,621</u>	<u>46,806,621</u>	<u>37,280,024</u>	<u>9,526,597</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	35,000,000	35,000,000	35,000,000	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	-	-	-
Other	<u>11,806,621</u>	<u>11,806,621</u>	<u>11,806,621</u>	<u>-</u>
Transfers out:				
Transfers out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>46,806,621</u>	<u>46,806,621</u>	<u>46,806,621</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,526,597</u>	<u>\$ 9,526,597</u>



STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE -  
 INCOME SUPPORT PROGRAM - P525  
 SPECIAL APPROPRIATIONS  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Fund balance	\$ -	\$ 959,303	\$ -	\$ (959,303)
Miscellaneous	-	-	-	-
Federal grants	-	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>959,303</u>	<u>-</u>	<u>(959,303)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Healthcare services	-	-	-	-
Other cost	-	2,806,003	-	2,806,003
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>2,806,003</u>	<u>-</u>	<u>2,806,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General funds	-	450,000	450,000	-
Compensation package	-	-	-	-
Supplemental	-	-	-	-
Transfers in from other state agencies	-	1,396,700	-	(1,396,700)
Other	-	-	-	-
Transfers out:				
Transfers out to other state agencies	-	-	-	-
Reversion	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,846,700</u>	<u>450,000</u>	<u>(1,396,700)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 450,000</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**Year Ended June 30, 2012**

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 2012 as all payables were paid by the statutory deadline.

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

	<u>Revenue</u>	<u>Expenses</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
<b>Net changes in fund balance per statement of revenues, expenditures and changes in fund balance</b>				
General Fund (052)	\$ 159,461,772	\$ (228,506,197)	\$ 83,136,819	\$ 14,092,394
Traumatic Brain Injury (20520)	3,553,426	(1,634,222)	-	1,919,204
ARRA (890)	-	-	-	-
Data Processing Appropriations (901)	16,821,943	(20,901,133)	7,661,015	3,581,825
Income Support L Warrants (974)	12,639,992	(12,639,992)	-	-
Income Support N Warrants (975)	791,231,325	(777,284,977)	(14,620,976)	(674,628)
Medicaid Assistance (976)	<u>2,669,831,535</u>	<u>(3,660,047,842)</u>	<u>1,045,805,032</u>	<u>55,588,725</u>
<b>Total</b>	<b><u>\$ 3,653,539,993</u></b>	<b><u>\$ (4,701,014,363)</u></b>	<b><u>\$ 1,121,981,890</u></b>	<b><u>\$ 74,507,520</u></b>
<b>Net changes in fund balance per budget schedules</b>				
General Appropriations:				
Program Support Program (P-522)	\$ 30,674,982	\$ (40,586,517)	\$ 11,886,700	\$ 1,975,165
Child Support Program (P-523)	22,434,137	(29,882,193)	7,633,800	185,744
Medical Assistance Program (P-524)	2,529,577,202	(3,395,048,135)	908,134,521	42,663,588
Income Support Program (P-525)	840,971,602	(854,007,437)	14,325,283	1,289,448
Medicaid Behavioral Health Program (P-766)	197,586,576	(267,504,168)	84,726,700	14,809,108
Behavioral Health Service (P-767)	15,473,551	(55,804,759)	40,357,250	26,042
Special Appropriations:				
Program Support Program (P-522)	16,821,943	(20,901,130)	7,661,015	3,581,828
Medical Assistance Program (P-524)	-	(37,280,024)	46,806,621	9,526,597
Income Support Program (P-525)	-	-	450,000	450,000
	<u>\$ 3,653,539,993</u>	<u>\$ (4,701,014,363)</u>	<u>\$ 1,121,981,890</u>	<u>\$ 74,507,520</u>

**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS  
 Year Ended June 30, 2012

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY12		Division
			Beginning	Ending			Contract Amount	Expended Amount	
Calron County Grassroots Behavioral Health Group	Consumer Community in Outreach	GSA 12-630-7903-0015	07/01/11	06/30/12	HSD	\$ 75,000	\$ 75,000	\$ 75,000	BHSD
Colfax County	SPE Grant	GSA 12-630-7903-0036	04/09/12	07/31/12	HSD	\$ 5,500	\$ 5,500	\$ 5,500	BHSD
CYFD (CMHS)	Behavioral Health services for children	GSA 12-630-7903-0001	07/01/11	06/30/12	HSD	\$ 426,273	\$ 426,273	\$ 375,641	BHSD
CYFD	Domestic Violence Services	GSA 11-630-7903-0004 A1	07/01/10	06/30/12	HSD	\$ 158,860	\$ 79,430	\$ 79,430	BHSD
Department of Health	Behavioral Health Epidemiology	GSA 11-630-7903-0007 A1	07/01/10	06/30/12	HSD	\$ 250,000	\$ 125,000	\$ 125,000	BHSD
Department of Health	Epidemiology and Response Division (ERD)	GSA 12-630-7903-0012	07/01/11	06/30/12	HSD	\$ 30,000	\$ 30,000	\$ 30,000	BHSD
Department of Health	Turquoise Lodge Detox Services	GSA 12-630-7903-0003	07/01/11	06/30/12	HSD	\$ 715,958	\$ 715,958	\$ 715,959	BHSD
Department of Health	Youth Risk & Resiliency Survey	GSA 12-630-7903-0013	07/01/11	06/30/12	HSD	\$ 30,000	\$ 30,000	\$ 22,500	BHSD
Department of Public Safety	Implement the Food & Drug Administration	GSA 12-630-7903-0025	12/30/11	09/30/14	HSD	\$ 1,035,011	\$ 262,397	\$ -	BHSD
Five Sandoval Indian Pueblos	Inspection Program	GSA 12-630-7903-0018	12/30/11	09/29/12	HSD	\$ 15,876	\$ 11,907	\$ -	BHSD
Five Sandoval Indian Pueblos	SPE Grant	GSA 12-630-7903-0042	04/09/12	07/31/12	HSD	\$ 3,000	\$ 3,000	\$ 3,000	BHSD
Mckinley, County of	SPE Grant	GSA 12-630-7903-0043	04/09/12	07/31/12	HSD	\$ 4,500	\$ 4,500	\$ 4,500	BHSD
Mescalero Apache Tribe	SPE Grant	GSA 12-630-7903-0044	04/09/12	07/31/12	HSD	\$ 7,000	\$ 7,000	\$ 7,000	BHSD
New Mexico Highlands University	SPE Grant	GSA 12-630-7903-0045	04/09/12	07/31/12	HSD	\$ 9,000	\$ 9,000	\$ 9,000	BHSD
Sandoval, County of	SPE Grant	GSA 12-630-7903-0047	04/09/12	07/31/12	HSD	\$ 3,000	\$ 3,000	\$ 3,000	BHSD
Santa Fe Public Schools	Inspection Program	GSA 12-630-7903-0026	01/30/12	09/30/14	HSD	\$ 36,364	\$ 9,371	\$ -	BHSD
Santa Fe Public Schools	SPE Grant	GSA 12-630-7903-0048	04/09/12	07/31/12	HSD	\$ 4,000	\$ 4,000	\$ 4,000	BHSD
UNM	UNM / PASRR Services	GSA 11-630-7903-0008 A1	07/01/10	06/30/12	HSD	\$ 338,800	\$ 211,750	\$ 165,550	BHSD
UNM - Adelsheim, Steven	Psychiatric Behavioral Health Services-children adolescents	GSA 10-630-7903-0006 A2	07/01/09	06/12/12	HSD	\$ 431,445	\$ 142,348	\$ 142,348	BHSD
UNM - (CASAA)	Multimedia Educational Campaign	GSA 12-630-7903-0004 A1	07/01/11	06/30/12	HSD	\$ 19,800	\$ 19,800	\$ 19,800	BHSD
UNM - Silverblatt	Psychiatric Behavioral Health Services-children adolescents	GSA 08-630-7903-0004 A5	07/01/07	06/30/12	HSD	\$ 1,235,167	\$ 225,000	\$ 225,000	BHSD
1st Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0001	7/1/11	6/30/12	HSD	\$ 326,100	\$ 326,100	\$ 326,100	CSED
2nd Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0002	7/1/11	6/30/12	HSD	\$ 971,241	\$ 971,241	\$ 971,241	CSED
3rd Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0003	7/1/11	6/30/12	HSD	\$ 417,700	\$ 417,700	\$ 417,700	CSED
7th Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0004	7/1/11	6/30/12	HSD	\$ 298,236	\$ 298,236	\$ 298,236	CSED
9th Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0005	7/1/11	6/30/12	HSD	\$ 499,220	\$ 499,220	\$ 499,220	CSED
11th Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0006	7/1/11	6/30/12	HSD	\$ 330,500	\$ 330,500	\$ 330,500	CSED
13th Judicial District Court	CSED-Hearing Officer(s)	GSA-12-630-7101-0007	7/1/11	6/30/12	HSD	\$ 304,000	\$ 304,000	\$ 304,000	CSED
Department of Health	Vital Records	GSA 12-630-7101-0020	7/1/11	6/30/12	HSD	\$ 70,000	\$ 70,000	\$ 62,490	CSED
The Navajo Nation	For NN CSED	GSA-12-630-7101-0021	7/1/11	6/30/12	HSD	\$ 40,000	\$ 40,000	\$ 40,000	CSED
State of South Carolina	Electronic Parent Locator Network (EPLN)	GSA 12-630-7101-0023	7/1/11	6/30/12	HSD	\$ 17,913	\$ 17,913	\$ 17,913	CSED
CYFD - Child Care	TANF Block Grant - Child Care	GSA 12-630-9000-0019	07/01/11	6/30/12	HSD	\$ 24,378,500	\$ 24,378,500	\$ 24,378,500	ISD
Department of Health	Refugee Health Screening	GSA 12-630-9000-0009	07/01/11	06/30/12	HSD	\$ 151,315	\$ 151,315	\$ 118,879	ISD
Las Cruces Public Schools	SNAP-Ed	GSA 10-630-9000-0017 A4	07/01/09	09/30/11	HSD	\$ 535,715	\$ 30,996	\$ 30,907	ISD
Las Cruces Public Schools	SNAP-Ed	GSA 12-630-9000-0026	10/01/11	09/30/12	HSD	\$ 258,911	\$ 233,020	\$ 145,003	ISD
Navajo Nation	SNAP-Ed	GSA-11-630-9000-0004 A2	07/01/10	09/30/11	HSD	\$ 582,162	\$ 104,587	\$ -	ISD
Navajo Nation	TANF Services	GSA-12-630-9000-0017	07/01/11	06/30/12	HSD	\$ 210,900	\$ 210,900	\$ 210,900	ISD
NM Mortgage Finance Authority - Homeless	Homeless Support Services	GSA 12-630-9000-0010	07/01/11	06/30/12	HSD	\$ 725,700	\$ 725,700	\$ 725,700	ISD
NM Mortgage Finance Authority - NMSU	LIHEAP Weatherization Assistance	GSA 12-630-9000-0016	07/01/10	6/30/12	HSD	\$ 1,928,905	\$ 1,287,887	\$ 1,278,761	ISD
NMSU	NM Work Program	GSA 10-630-9000-0013 A4	07/01/09	07/31/11	HSD	\$ 7,686,647	\$ 695,814	\$ 694,492	ISD

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS (CONTINUED)  
Year Ended June 30, 2012

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY12		Division
			Beginning	Ending			Contract Amount	Expended Amount	
NMSU - Regents	SNAP-Ed	GSA 09-630-9000-0024 A6	07/01/08	09/30/11	HSD	\$ 7,731,995	\$ 599,612	\$ 599,612	ISD
NMSU - Regents	SNAP-Ed	GSA 12-630-9000-0027	10/01/11	09/30/12	HSD	\$ 1,654,695	\$ 1,241,021	\$ 1,241,017	ISD
Public Education Department - GRADS	PED GRADS TANF Funding	GSA 12-630-9000-0011	07/01/11	06/30/12	HSD	\$ 200,000	\$ 200,000	\$ 199,993	ISD
Zuni Pueblo	TANF	GSA-12-630-9000-0013	07/01/11	06/30/12	HSD	\$ 31,000	\$ 31,000	\$ 31,000	ISD
Aging and Long Term Services Division	Title XIX	GSA-12-630-8000-0014	07/01/11	06/30/16	HSD	\$ 3,513,178	\$ 688,025	\$ 264,989	MAD
Department of Health	Admin Claiming	JPA 11-630-8000-0008	07/01/11	06/30/12	HSD	\$ 1,400,000	\$ 1,400,000	\$ 395,053	MAD
Department of Health	EPSDT	95 29	07/01/95	UT	HSD	\$ 489,961	\$ 489,961	\$ 304,790	MAD
Department of Health	Coordinate services for non Medicaid eligible families	JPA 96 32	07/01/94	UT	HSD	\$ 2,088,819	\$ 500,000	\$ 326,988	MAD
Department of Health	Nurse aide Training	96 22	02/08/96	UT	HSD	\$ 1,500,000	\$ 1,500,000	\$ 927,874	MAD
Department of Health	SBHC	GSA 12-630-8000-0007	07/01/11	06/30/12	HSD	\$ 1,504,228	\$ 1,504,228	\$ 974,049	MAD
Department of Health	Home & Community Based Waiver Program	JPA 11-630-8000-0003 A1	07/01/10	06/30/14	HSD	\$ 45,700,000	\$ 8,663,326	\$ 6,844,751	MAD
Department of Health	WDI and DOH	GSA 10-630-8000-0014	01/01/10	12/31/12	HSD	\$ 1,151,700	\$ 221,950	\$ 213,957	MAD
Disability Developmental Planning Council	Administrative Claiming to Pay a Federal Match	GSA 11-630-8000-0016 A1	07/01/10	06/30/14	HSD	\$ 1,600,000	\$ 400,000	\$ 324,496	MAD
Disability Developmental Planning Council	Match admin costs for BabyNet	GSA 09-630-8000-0095	07/01/09	06/30/13	HSD	\$ 300,000	\$ 75,000	\$ 75,000	MAD
Department of Vocational Rehabilitation	Working Disabled Individuals Program	GSA 09-630-8000-0087 A1	10/22/09	06/30/12	HSD	\$ 1,066,110	\$ 224,966	\$ 143,194	MAD
Department of Vocational Rehabilitation	Utilize Services/Render Determinations	GSA 12-630-8000-0001	07/01/11	06/30/14	HSD	\$ 513,000	\$ 85,500	\$ 71,163	MAD
NM Department of Workforce Solutions	NM Comp. Employment System	GSA 10-630-8000-00007 A1	07/01/09	06/30/12	HSD	\$ 643,000	\$ 66,250	\$ 62,905	MAD
NM Governor's Comm on Disability	Governor's Commission on Disability	GSA-09-630-8000-0103 A1	10/29/09	06/30/12	HSD	\$ 189,880	\$ 33,699	\$ 33,598	MAD
Maryland, State of	Medicaid MGD Care, Pharmacy & SCI pgm	GSA 08-630-8000-0016	03/17/08	12/31/11	HSD	\$ 4,000,000	\$ 787,500	\$ 369,312	MAD
University of New Mexico Continuing	Envision	GSA-10-630-8000-0002	07/01/09	06/30/13	HSD	\$ 4,400,000	\$ 1,100,000	\$ 899,796	MAD
University of New Mexico	Envision CHIPRA Grant	GSA 11-630-8000-0007 A1	07/01/10	06/30/15	HSD	\$ 1,693,556	\$ 322,713	\$ 322,713	MAD
University of New Mexico Continuing	WDI GSA with UNM for ARC	GSA-09-630-8000-0090 A2	10/22/09	12/31/12	HSD	\$ 32,000	\$ 80,000	\$ 80,000	MAD
University of New Mexico / CDD Provider	Provider Trainings	GSA 12-630-8000-0006	07/01/11	06/30/12	HSD	\$ 960,000	\$ 960,000	\$ 835,713	MAD
University of New Mexico Health Sciences	UNM Project ECHO	GSA-11-630-8000-0020 A1	07/01/10	06/30/12	HSD	\$ 627,316	\$ 621,959	\$ 499,030	MAD
Alamogordo Public Schools	GSA 09-630-8000-0025 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 160,000	\$ 155,250	MAD
Albuquerque Public Schools	GSA 09-630-8000-0027	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 4,397,725	\$ 1,517,725	\$ 1,517,725	MAD
Artesia Public Schools	GSA 09-630-8000-0028 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 80,000	\$ 32,004	MAD
Aztec Municipal School	GSA 09-630-8000-0029	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 90,000	\$ 73,350	MAD
Belen Consolidated	GSA 09-630-8000-0030BELEN	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 120,000	\$ 119,851	MAD
Bernalillo Public Schools	GSA 09-630-8000-0031 A3	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 304,000	\$ 109,814	MAD
Bloomfield Schools	GSA 09-630-8000-0030 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 75,000	\$ 75,000	MAD
Carlsbad Public Schools	GSA 09-630-8000-0032 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 75,000	\$ -	MAD
Central Consolidated School	GSA 09-630-8000-0033 A5	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 240,000	\$ 197,210	MAD
Central Region Educational Cooperative	GSA 09-630-8000-0034 A2	Medicaid School Based Services	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 156,000	\$ 143,933	MAD

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS (CONTINUED)  
Year Ended June 30, 2012

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY12 Contract Amount	Expended Amount	Division
			Beginning	Ending					
Chama Valley Independent	GSA 09-630-8000-0035 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 30,000	\$ -	MAD
Clovis Municipal Schools	GSA 09-630-8000-0036 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 160,000	\$ 52,000	\$ 50,927	MAD
Cobre Consolidated Schools	GSA 09-630-8000-0037 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 160,000	\$ 102,000	\$ 59,513	MAD
Cuba Independent Schools	GSA 09-630-8000-0038 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 60,000	\$ 35,540	MAD
Dulce Independent Schools	GSA 09-630-8000-0039 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD
Espanola Municipal Schools	GSA 09-630-8000-0040 A3	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 320,000	\$ 150,000	\$ 136,818	MAD
Farmington Municipal Schools	GSA 09-630-8000-0041 A4	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 480,000	\$ 200,000	\$ 126,841	MAD
Gadsden Independent Schools	GSA 09-630-8000-0042 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 12,299,949	\$ 599,949	\$ 439,982	MAD
Gallup McKinley County Schools	GSA 09-630-8000-0043 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 280,000	\$ 70,000	\$ -	MAD
Grants/Cibola County School	GSA 09-630-8000-0044 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 280,000	\$ 146,383	\$ 146,383	MAD
High Plains REC #3	GSA 09-630-8000-0045 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 600,000	\$ 210,000	\$ 142,291	MAD
Laguna Schools	GSA 09-630-8000-0048 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD
Las Cruces Public Schools	GSA 09-630-8000-0049 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 2,400,000	\$ 600,000	\$ 479,344	MAD
Las Vegas City Public Schools	GSA 09-630-8000-0050 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 110,000	\$ 60,816	MAD
Los Lunas Public Schools	GSA 09-630-8000-0051 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 1,400,000	\$ 350,000	\$ 338,091	MAD
Lovington Municipal Schools	GSA 09-630-8000-0052 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 140,000	\$ 105,000	\$ 104,570	MAD
Media Arts Collaborative Charter School	GSA-09-630-8000-0076MEDIA A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 20,000	\$ 10,000	\$ -	MAD
Mescalero Apache School	GSA 09-630-8000-0054 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD
Mora Independent Schools	GSA 09-630-8000-0055 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD
Moriarty Edgewood Municipal Schools	GSA 09-630-8000-0056 A3	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 110,000	\$ 45,696	MAD
NM Sch for the Visually Impaired	GSA 09-630-8000-0057 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 30,000	\$ -	MAD
Pecos Independent Schools	GSA 09-630-8000-0058 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 30,000	\$ -	MAD
Pecos Valley REC # 8	GSA 09-630-8000-0059 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 130,000	\$ 96,561	MAD
Penasco Independent School	GSA 09-630-8000-0060 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS (CONTINUED)  
 Year Ended June 30, 2012

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY12 Contract Amount	Expended Amount	Division
			Beginning	Ending					
Pojoaque Valley Schools	GSA-09-630-8000-0061 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD
Questa Independent Schools	GSA-09-630-8000-0062	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 80,000	\$ 20,000	\$ -	MAD
Regional Educ. # 6	GSA 09-630-8000-0063 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 75,000	\$ 70,815	MAD
Regional Educ. # 7	GSA 09-630-8000-0064 A3	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 173,457	\$ 149,424	MAD
Regional Educ. # 9	GSA 09-630-8000-0065 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 300,000	\$ 135,000	\$ 135,000	MAD
Rio Rancho Public Schools	GSA 09-630-8000-0066 A4	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 400,000	\$ 260,000	\$ 237,936	MAD
Roswell Independent Schools	GSA 09-630-8000-0067 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 1,022,025	\$ 222,025	\$ 216,080	MAD
Santa Fe Public Schools	GSA 09-630-8000-0068 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 110,000	\$ 25,169	MAD
Santa Rosa Consolidated	GSA 09-630-8000-0069 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 120,000	\$ 30,000	\$ -	MAD
Silver City Consolidated Schools	GSA 09-630-8000-0070	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 200,000	\$ 110,000	\$ 88,398	MAD
Socorro Consolidated Schools	GSA 09-630-8000-0071 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 260,000	\$ 65,000	\$ 13,986	MAD
Southwest Regional Educ. Center	GSA 09-630-8000-0072 A5	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 400,000	\$ 300,000	\$ 300,000	MAD
Taos Charter School	GSA-09-630-8000-0073	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 40,000	\$ 10,000	\$ 4,102	MAD
Taos Municipal Schools	GSA 09-630-8000-0074 A3	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 220,000	\$ 135,000	\$ 30,170	MAD
Tucumcari Public Schools	GSA 09-630-8000-0075 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 100,000	\$ 75,000	\$ 42,809	MAD
Turquoise Trail Charter School	GSA 09-630-8000-0076 A3	School Based Health Services	7/1/2008	6/30/2012	HSD	\$ 40,000	\$ 30,000	\$ 14,025	MAD
West Las Vegas Schools	GSA 09-630-8000-0077 A1	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 160,000	\$ 120,000	\$ 49,304	MAD
Zuni Public School Dist.	GSA 09-630-8000-0078 A2	School Based Medicaid Services	7/1/2008	6/30/2012	HSD	\$ 240,000	\$ 60,000	\$ 49,618	MAD

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND  
FUND 978 - CHILD SUPPORT ENFORCEMENT  
June 30, 2012**

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
<b>ASSETS</b>				
Interest in the State Treasurer				
General Fund Investment Pool	\$ 1,234,092	\$ 130,285,317	\$ (130,668,213)	\$ 851,196
Other receivables, net	586,538	10,943	-	597,481
Due from other state agencies	181	-	339	520
Due from external parties	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,820,811</u>	<u>\$ 130,296,260</u>	<u>\$ (130,667,874)</u>	<u>\$ 1,449,197</u>
<b>LIABILITIES</b>				
Deposits held in trust for others	\$ 1,234,884	\$ 130,285,317	\$ (130,668,839)	\$ 851,362
Other liabilities	585,746	11,569	-	597,315
Due to other funds	181	339	-	520
<b>TOTAL ASSETS</b>	<u>\$ 1,820,811</u>	<u>\$ 130,297,225</u>	<u>\$ (130,668,839)</u>	<u>\$ 1,449,197</u>



**SINGLE AUDIT**

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
<b>Department of Agriculture (USDA) Direct Programs</b>			
Commodities Assurance (SAE)	10.560	12-35-3501	\$ 233,371
Emergency Food Assistance Program (Food Commodities)	10.569	None	12,661,789
Emergency Food Assistance Program (Administrative Costs)	10.568	XNM810813	<u>746,519</u>
Subtotal Food and Nutrition Services			<u>13,641,679</u>
<b>Supplemental Nutritional Assistance Program (SNAP):</b>			
Administration and SAVE	10.561	12-35-3501	25,385,276
SNAP Employment/Training Grant	10.561	12-35-3501	1,233,353
SNAP State Exchange	10.561	12-35-3501	4,467
SNAP & EBT Distribution	10.551	58-3189-8-104	668,849,168
SNAP Contingency	10.561	12-35-3501	453,610
SNAP Participation Medicare Program	10.580	IA-SNPM-10-NM-01	<u>123,090</u>
Subtotal SNAP			<u>696,048,964</u>
<b>Total USDA</b>			<u>709,690,643</u>
<b>Department of Health and Human Services (DHHS)</b>			
<b>Administration for Children and Families Direct Programs:</b>			
Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	26,626,757
Temporary Assistance for Needy Families (TANF)	93.558	G-XX-04-NM-TANF	107,144,714
Low Income Energy Assistance Program (Title XXVI)	93.568	G-XX-B1-NM-LIEA	<u>14,371,837</u>
Total Administration for Children and Families Direct Program			<u>148,143,308</u>
Family Support Administration Pass-Through Programs - Community Service Block Grant	93.569	01-XX-B1-NM-COSR	<u>3,954,828</u>
<b>Administration for Children, Youth and Families Direct Programs:</b>			
Direct Programs - Refugee Resettlement Program (CMA)	93.566	G-XX-04-NM-6100	422,297
Refugee Resettlement Program (SS)	93.566	G-XX-04-NM-6100	125,000
Refugee School Impact	93.576	90ZE0079/01	132,099
Refugee Targeted Assistance	93.576	90RT0153/01	<u>42,403</u>
Total Administration for Children Youth and Families Direct Programs			<u>721,799</u>
<b>Centers for Medicare &amp; Medicaid Services:</b>			
Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	2,446,495,150
Administration and Training Title XIX	93.778	05-XX-05-NM-5048	85,458,716
Children's Health Insurance Program (CHIP)	93.767	05-XX-05-NM-5021	126,486,753
Children's Health Insurance Program Outreach and Enrollment	93.767	1Z0C30482/01	1,864,194
Children's Health Insurance Program Bonus	93.767	1Z0C30482/01	2,132,751
Working Disabled	93.768	5-00-00-A9-1221	982,737
Money Follows the Person Rebalancing Demonstration	93.791	1LICMS330825-01-01	<u>155,265</u>
Total Centers for Medicare & Medicaid Services			<u>2,663,575,566</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2012

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
<b>Office of Health Care Finance Administration</b>			
Title XIX Certification	93.777	05-XX-055-NM-5001	<u>993,741</u>
<b>State Planning &amp; Establishment</b>	93.525	1HBEIE100014	<u>307,201</u>
<b>Substance Abuse and Mental Health Services Administration</b>			
Center for Mental Health Services (CMHS)			
Community Mental Health Services Block Grant	93.958	2B09SM010037-11S4	2,237,331
Programs for Assistance in Transition from Homelessness	93.150	2X06SM060032-11	289,679
Mental Health Transformation Supportive Housing Program	93.243	1H79SM060122-02	677,442
Veteran's First Jail Diversion Project	93.243	5H79SM059276-03	<u>33,868</u>
Subtotal Mental Health Services			<u>3,238,320</u>
<b>Center for Substance Abuse Treatment (CSAT)</b>			
Substance Abuse Treatment and Rehabilitation	93.959	2B08TI010037-11S2	8,599,282
Access to Recovery	93.275	1H79TI023130-02	2,912,642
Data Infrastructure Grant	93.243	1HR1SM059993-02	102,098
Crossroads: Supporting Families	93.243	1H79TI023678-01	<u>392,078</u>
Subtotal Substance Abuse Treatment			<u>12,006,100</u>
<b>Center for Substance Abuse Prevention (CSP)</b>			
State Prevention Enhancement (SPE)	93.243	1U79SP018651-01	<u>257,000</u>
<b>Statewide Behavioral Health System Transformation</b>			
Pass-through Programs from Dept. of Finance & Administration	93.243	5U79SM057464-05	<u>98,196</u>
<b>Total DHHS</b>			<u>2,833,296,059</u>
<b>National Institutes of Health (NIH)</b>			
National Drug Institute on Drug Abuse (NIDA)			
Building System Capacity	93.279	1R34DA060651-01A1	<u>144,000</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 3,543,130,702</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2012

**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 \$12,661,789. 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	\$ 3,543,130,702
CHIP Bonus drawn to cover deficit fund balance	10,769,640
SNAP Bones drawn to cover deficit fund balance	1,048,711
Other reconciling items	<u>(1,171,862)</u>
<b>Total federal revenue recorded in governmental funds</b>	<b><u>\$ 3,553,777,191</u></b>

**Subrecipients**

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

Program/Subrecipient	Total Paid
<b>Food Stamp Program (CFDA #10.561):</b>	
Children Youth and Families Department	\$ 1,202,000
Cooking with Kids Inc	469,846
Kids Cook	492,942
Las Cruces Public Schools	175,910
New Mexico State University	3,174,009
SL Start and Associates LLC	<u>9,648,425</u>
<b>Total Food Stamp Program</b>	<b><u>15,163,132</u></b>
<b>The Emergency Food Assistance Program (CFDA #10.569)</b>	
NM Association of Food Banks	<u>735,879</u>
<b>Medicaid (CFDA #93.778)</b>	
Alamogordo Public Schools	154,724
Albuquerque Public Schools	2,122,117
Artesia Public Schools	32,004
Aztec Municipal School District	73,350
Belen Consolidated Schools	119,851
Bernalillo Public Schools	109,814
Bloomfield Schools	121,624
Central Consolidated Schools	197,210
Central Region Educational Cooperative	143,933
Children Youth and Families Department	1,564,760
Clovis Municipal Schools	50,927
Cuba Independent Schools	35,540
Department of Health	43,862,514
Department of Vocational Rehabilitation	71,163
Espanola Municipal Schools	136,818
Farmington Municipal Schools	126,841
Gadsden Independent Schl District	439,982
Grants/Cibola County Schools	190,927
High Plains Regional Center Coop	142,291
Las Cruces School District #2	479,344
Las Vegas City Schools	60,816
Los Lunas Schools	338,091

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2012

<u>Program/Subrecipient</u>	<u>Total Paid</u>
Lovington Municipal Schools	84,096
Moriarty Municipal Schools	45,696
Pecos Valley Regional Education Center #8	96,561
Regional Educational Coop	195,813
Regional Educational Center #6	70,815
Regional Educational Center #7	149,424
Rio Rancho Public Schools	237,936
Santa Fe Public Schools	25,169
Silver City Public School	88,398
Socorro Consolidated Schools	10,244
Southwest Regional Education Center	410,864
Taos Charter School	4,102
Taos Municipal Schools	30,170
Tucumcari Municipal Schools	42,809
Turquoise Trail Charter School	14,025
West Las Vegas School District	49,304
Zuni Public School District	49,616
<b>Total Medicaid</b>	<b><u>52,179,681</u></b>
<b>Title XIX Certification (CFDA #93.778)</b>	
Department of Health	<u>993,741</u>
<b>TANF (CFDA #93.558)</b>	
Children Youth & Families Dept.	23,777,500
New Mexico State University	694,492
Department of Education	199,994
Mid-Region Council of Governments	10,353,863
<b>Total TANF</b>	<b><u>35,025,849</u></b>
<b>Refugee Resettlement Program SS (CFDA #93.566)</b>	
Catholic Charities	<u>125,000</u>
<b>Refugee Resettlement Program CMA (CFDA #93.566)</b>	
Department of Health	<u>118,879</u>
<b>Refugee School Impact Program (CFDA #93.576)</b>	
Catholic Charities	<u>132,099</u>
<b>Refugee Targeted Assistance (CFDA #93.576)</b>	
Catholic Charities	<u>42,403</u>
<b>Community Services Block Grant (CFDA #93.569)</b>	
Community Action Agency of Southern NM	665,421
Eastern Plains CAA	209,757
Economic Council Helping Others	264,900
Help - New Mexico	2,206,501
Midwest NM Cap	449,307
Southeast NM Comm Action Agency	494,700
<b>Total Community Services Block Grant</b>	<b><u>4,290,586</u></b>
<b>Working Disabled (CFDA #93.768)</b>	
Department of Vocational Rehabilitation	209,781
Governor's Commission on Disability	54,078
Department of Health	302,508
<b>Total Working Disabled</b>	<b><u>566,367</u></b>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2012

Program/Subrecipient	Total Paid
<b>Low-Income Home Energy Assistance (CFDA #93.568)</b>	
HELP New Mexico Inc	476,867
NM Mortgage Finance Authority	3,464,194
<b>Total Low-Income Home Energy Assistance</b>	<b>3,941,061</b>
<b>Community Mental Health Services Block Grant (CFDA #93.958)</b>	
Children Youth & Families Dept	643,957
Life Link	777,163
<b>Total Community Mental Health Services Block Grant</b>	<b>1,421,120</b>
<b>Programs for Assistance in Transition from Homelessness (CFDA #93.150)</b>	
Albuquerque HealthCare for the Homeless	60,669
Life Link	57,057
Southwest Counseling Cntr. Inc	31,812
St. Martin's Center	138,456
<b>Total Programs for Assistance in Transition from Homelessness</b>	<b>287,994</b>
<b>Data Infrastructure Grant (CFDA #93.243)</b>	
Life Link	20,000
<b>Total Data Infrastructure Grant</b>	<b>20,000</b>
<b>Substance Abuse Prevention and Treatment (CFDA #93.959)</b>	
Department of Health	937,612
Life Link	777,163
<b>Total Substance Abuse Prevention and Treatment</b>	<b>1,714,775</b>
<b>TOTAL</b>	<b>\$ 116,758,568</b>

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (CFDS No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The portion of total expenditures for SNAP benefits that is supported by the Recovery Act funds 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 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 16.55% of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

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

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

We have audited the financial statements of the governmental activities and each major fund of the State of New Mexico Human Services Department (the Department) as of and for the year ended June 30, 2012, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 17, 2012. We have also audited the fiduciary fund as of June 30, 2012 and the budgetary comparison schedules presented as required supplementary information for the year ended June 30, 2012. 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 12-03 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 09-01 and 12-02 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding 12-01.

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 management, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and federal award and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

Albuquerque, New Mexico  
December 17, 2012



**Independent Auditors' Report 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 and  
Mr. Hector H. Balderas  
New Mexico State Auditor

**Compliance**

We have audited the compliance of the New Mexico Human Services Department (the Department) 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 its major federal programs for the year ended June 30, 2012. The Department's major federal programs are identified in the summary of auditors' 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.

In our opinion, the Department complied, in all material respects, with the 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, 2012. 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 findings 12-04, 12-05, 12-06 and 12-07.

**Internal Control over Compliance**

The 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

Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures

for the purpose of expressing our opinion on compliance 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 entity'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.

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 and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. 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 findings 12-04, 12-05, 12-06 and 12-07. *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 them.

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



Albuquerque, New Mexico  
December 17, 2012

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

**CFDA**

<b>Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.558	Temporary Assistance for Needy Families Cluster (TANF)
10.568/10.569	The Emergency Food Assistance Program Cluster
93.777/93.778	Medical Assistance Payments, Administration, Training, Outreach and Enrollment, Program Bonus and Title XIX Certification
93.568	Low Income Energy Assistance Program (Title XXVI)
93.767	Children's Health Insurance Program (CHIP)
10.551/10.561	Supplemental Nutrition Assistance Program Cluster
93.563	Administration of Child Support Enforcement Program

Dollar threshold used to distinguish between type A and type B programs \$10,629,392

Auditee qualified as low-risk auditee?  yes  no

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

**Section II – Financial Statement Findings**

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

**Condition:** In our testing of Fund 978 Child Support Enforcement Fund Reconciliation, it was noted that the undistributed receipts balance did not reconcile between the Child Support Enforcement System (CSES) and the general ledger, SHARE. The current year annual reconciliation of activity had an un-reconciled difference of \$31,320.

**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.

**Cause:** It was noted that there are currently some system limitations with CSES inhibiting the Department's ability to reconcile activity and ending balances.

**Effect:** There is an increased likelihood of errors or misappropriation of resources going undetected.

**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.

**Management's Response:** Management agrees. The ASD and Child Support Enforcement Division (CSED) worked throughout 2012 with ITD to reconcile undistributed receipts in CSES and SHARE. The HSD will continue to research the balances in undistributed receipts in prior years, and document federal requirements for CSES reporting and how those requirements differ from transactions in SHARE.

**Finding 12-02 – Accounts Receivable Reconciliation (Significant Deficiency)**

**Condition:** During test work over accounts receivable, it was discovered that a third party receivable with a balance of \$12,409,275 recorded on the Department's general ledger, SHARE, had not been reconciled to the underlying reports. The aging report from OMNICAID, the Medical Management Information System, a subsidiary system, did not agree to SHARE. After inquiry by the audit team, the aging was reviewed by the Department and an allowance for \$10,687,313 was recorded.

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

**Cause:** This account had been identified by the Department as one requiring review and reconciliation which was on the project list for fiscal year 2013. Limited staffing prevented this account from being reviewed at an early date.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

**Section II – Financial Statement Findings (continued)**

**Finding 12-02 – Accounts Receivable Reconciliation (Significant Deficiency) (continued)**

**Effect:** The Department was showing an excess accounts receivable balance as an asset when collectability was unlikely and balance inaccurate. An adjusting journal entry to record an allowance for doubtful accounts and an associated expense in the amount of \$10,687,313 was required.

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

**Management's Response:** Management agrees that regular monitoring of accounts receivable and reconciliation to subsidiary systems such as OMNICAID should be completed monthly. ASD will continue to work with Medical Assistance Division to resolve the \$10,687,313 allowance for doubtful accounts in SFY13. The \$10,687,313 is not a factor in the cash balance in the Medicaid fund, and will require extensive research in prior year posting to accounts receivable from the OMNICAID system.

**Finding 12-03 – Analysis of Financial Claiming (Material Weakness)**

**Condition:** The Department, in collaboration with an external consulting firm, performed a thorough review of the period July 1, 2006 through June 30, 2011 of financial reporting claims of the Department to the Centers for Medicare and Medicaid Services (CMS) and the United States Department of Agriculture (USDA). Through this collaborative effort, the Department identified \$21,054,207 of possible invalid federal reimbursements. Of this amount, \$14,218,647 belonged to balances outside the permissible reporting period for corrections and required a restatement of prior year federal revenue. The Department has since reconciled its federal grants with CMS for fiscal years 2010 and 2011 and has repaid the federal government for amounts overdrawn. Additionally, the Department has implemented a new reconciliation process which has been in place since 2010.

**Criteria:** In accordance with Generally Accepted Accounting Principles, the matching principle should be applied to properly match revenues with expenses each fiscal year. Also, Section 2.2.2.8 J of the New Mexico State Audit Rule requires sound accounting practices be followed, which includes proper reporting of revenue.

**Cause:** Prior year manual process used to allocate indirect costs, untimely reconciliation of final expenditures and a lack of central repository for final versions of reports and financial data available to Department personnel.

**Effect:** A restatement of prior year federal revenue in the amount of \$14,218,647 and a deficit fund balance in fund 052, the General Fund.

**Recommendation:** The Department should continue to follow procedures which led to the discovery of the misstatement. In addition, continue monthly reconciliations and ongoing personnel education about federal reporting guidelines.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

**Section II – Financial Statement Findings** (continued)

**Finding 12-03 – Analysis of Financial Claiming (Material Weakness)** (continued)

**Management’s Response:** Management agrees that there were under-reported amounts to CMS and USDA over a two year period, 2007 and 2008. The Department has been proactive in addressing this issue and has directed significant in-house and external resources to document the cause of the problem, identify corrective action and address the uncollectable balances contributing to the negative fund balance. The report prepared by the external consultant has been used by the Department and the external auditors to prepare the correcting entries to the financial statements. However, the ASD since 2009 submitted accurate and timely federal reports, as noted in the report of the external consulting firm. The Department management completes a thorough review of federal reports prior to submission, and remains timely in reconciliation of federal reports and reimbursements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012**

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2012-04 – ISD2 System Access - Terminated Employees (Significant Deficiency, Compliance)**

**Federal Program:** Supplemental Nutrition Assistance Program (SNAP) Cluster, 10.551/661

**Questioned Costs:** None

**Condition:** We performed test work related to the ISD2 – specific to SNAP system access for terminated employees. We tested access for forty terminated employees to ascertain if access to the SNAP application was removed upon termination of employment. We noted three out of forty instances where access was not removed for terminated employees.

**Criteria:** Per D1.12.21 NMAC, Access Control Policy, Section 8.1, access privileges shall be removed whenever an authorized user changes jobs or terminates employment. State entities shall be required to inform DOIT Chief Information Officer or designated employees regarding terminations immediately.

**Cause:** Access is not being removed on timely basis.

**Effect:** Potential unauthorized access to application and system resources may occur.

**Recommendation:** We recommend that the Department implement procedures to remove system access for all terminated employees upon termination.

**Management's Response:** Management agrees. The Income Support Division Regional Managers, ISD Central Office Staff, the HSD Office of Human Resources and the HSD Information Technology Division staff will review established procedures and modify accordingly. This will be completed by January 31, 2013 and is the responsibility of Penny Jimerson, ISD Deputy Director and Eluid Martinez, ITD Deputy Director. Ongoing reviews of ISD2 log-in IDs will then be reviewed quarterly to ensure the timely deletion of ineligible user IDs.

**Finding 12-05 – Cash Management Compliance and Internal Controls (Significant Deficiency, Compliance)**

**Federal Program:** Temporary Assistance for Needy Families Cluster, 93.558

**Questioned Costs:** None

**Condition:** Based on our test work over cash management, we noted that the Department was in noncompliance with the Treasury State Agreement-Cash Management Improvement Act (TSA-CMIA) as follows:

- Program 93.558 (TANF): Amounts refunded from subrecipient of \$142,251.70 exceeded \$50,000 threshold per TSA-CMIA, requiring calculation and recording of interest liability; no liability calculated or incurred for interest related to amount refunded.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012**

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

**Finding 12-05 – Cash Management Compliance and Internal Controls (Significant Deficiency, Compliance) (continued)**

**Criteria:** Treasury State Agreement defines the terms for the transfer of financial assistance funds between the Federal government and the State of New Mexico as prescribed under the Cash Management Improvement Act of 1990 (P.L. 101-453), as amended. The TSA-CMIA requires calculation and incurring a liability for refunded amounts in excess of \$50,000.

**Cause:** Management was unaware of this requirement as they were notified verbally by program personnel at the oversight agency to use the refunded amount towards program purposes.

**Effect:** Amounts due to federal agencies are not recorded.

**Recommendation:** We recommend that the Department implement procedures to ensure that interest liability is calculated for interest related to amounts refunded in excess of \$50,000.

**Management's Response:** Management agrees. ASD will update the internal model accounting practices to record amounts due to the federal government caused by interest liability. The HSD will contact the DHHS, Administration for Children and Families (ACF) to determine the mechanism to return the funds. ACF requests that refunds from sub-recipients be put back into the program and does not routinely deal with refunds for interest. This will be completed by Donna Sandoval, ASD Deputy Director, by January 31, 2013.

**Finding 2012-06 – Results of External Audits/Program Reviews over Federal Programs (Significant Deficiency, Compliance)**

**Federal Program:** Medicaid Cluster, 93.777 / 778

**Questioned Costs:** \$5,170,663

**Condition:** We reviewed the various external audits and reviews conducted over HSD's federal programs. Included below are the results of these external audits and reviews that impact the compliance requirements tested during single audit:

1. **Department of Health and Human Services, Office of Inspector General, NM Medicaid Personal Care Services Provider Audit, Report dated May 2012 (period covered - October 1, 2006 September 30,2008)**
  - o Allowable costs – 36 out of 100 claims tested did not comply with allowable cost requirements, resulting in improper payments claimed of at least \$2,243. Estimated improper claims of \$4,483,492 (Federal Share) payable back to federal government.



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

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

**Finding 2012-06 – Results of External Audits/Program Reviews over Federal Programs (Significant Deficiency, Compliance) (continued)**

**2. Department of Health and Human Services, Office of Inspector General, NM Medicaid Personal Care Services Provider Audits, Report dated June 2012 (period covered - October 1, 2008 through March 31, 2009)**

- Allowable costs – 24 out of 100 claims tested did not comply with allowable cost requirements, resulting in improper payments claimed of at least \$5,560. Estimated improper claims of \$404,817 (Federal Share) are payable back to federal government.

**Criteria: see below**

**Related to NM Medicaid Personal Care Service Provider Audits:**

The State agency must comply with Federal and State requirements when determining and redetermining whether recipients are eligible for personal care services. Pursuant to section 1905(a)(24) of the Act and implementing Federal regulations (42 CFR § 440.167), personal care services may be provided to individuals who are not inpatients at a hospital or residents of a nursing facility, an Intermediate Care Facility for the Mentally Retarded, or an Institution for Mental Disease. The services must be (1) authorized for an individual by a physician pursuant to a plan of treatment or, at the State agency's option, otherwise authorized in accordance with a service plan approved by the State; (2) provided by an attendant who is qualified to provide such services and who is not the recipient's legally responsible relative; and (3) furnished in a home and, at the State agency's option, at another location.

Office of Management and Budget Circular A-87 establishes principles and standards for determining allowable costs incurred by State and local governments under Federal awards. Circular A-87, Attachment A, section C.1.c., states that to be allowable, costs must be authorized or not prohibited by State or local laws or regulations.

NMAC section 8.315.4.11A(17) states that provider agencies are responsible for maintaining appropriate records of services provided to recipients.

**Cause:** Lack of proper oversight over personal care services providers.

**Effect:** Potential questioned costs totaling \$5,170,663.

**Recommendation:** Ensure that personal care services providers maintain evidence that they comply with Federal and State requirements, through proper and ongoing monitoring.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

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

**Finding 2012-06 – Results of External Audits/Program Reviews over Federal Programs (Significant Deficiency, Compliance) (continued)**

**Management’s Response: see below**

**Related to NM Medicaid Personal Care Service Provider Audits:**

Management disagrees. HSD has explained to CMS and HHS OIG in previous communications relating to these and other audits that the State has significant concerns about the approach HHS OIG has taken in its audits of personal care providers in New Mexico. The State takes strong exception to the OIG’s recommendation that CMS recoup several millions of dollars to the federal government. For virtually this entire amount, recoupment is inappropriate. The State would be prepared to repay the federal share associated with only the few isolated instances of overbilling.

The auditors have transformed every deviation from perfection in the maintenance of case and attendant files that are several years old into a determination of an overpayment, without regard to whether the alleged deficiency is reflective of any mistaken payment to the provider, and have extrapolated these results to the entire universe of claims over an extended period of time to arrive at overpayment recovery recommendations that are utterly disproportional to the actual degree of provider misclaiming. This approach threatens, in the aggregate, to seriously impair the ability of the State to fund its current Medicaid program.

Overall, the findings of the Audit Reports reveal PCO providers that have been highly compliant with applicable requirements. At most, the few “deficiencies,” in significant part reflecting no more than the inability to document every instance of compliance, warrant the State insisting upon a corrective action plan from the provider to assure its compliance with state requirements, its maintenance of complete records, and its careful review of claims to avoid submitting claims for services not eligible for reimbursement.

Both PCO providers in question have submitted corrective action plans that have been approved by the State as appropriately addressing how findings contained in the OIG Final Audit Report have been remedied.

In addition, since 2009, PCO services have been provided in New Mexico entirely through the Coordination of Long Term Services (CoLTS) Managed Care System. Two MCOs have been responsible for the delivery of the services and for assuring provider compliance with applicable state and federal requirements. Yet MAD retains ultimate responsibility for this, as well as all other aspects of the State’s Medicaid program, and has mounted a range of actions to assure that PCO services are being provided properly and in compliance with law and regulations. The State’s continuing efforts in this area have included a series of administrative code updates adopted in 2010 and 2011, and the establishment in 2010 of a monthly PCO Billing and Administrative Workgroup to evaluate and implement improvement in program and provider performance.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

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

**Finding 2012-06 – Results of External Audits/Program Reviews over Federal Programs (Significant Deficiency, Compliance) (continued)**

It is not clear, based on the combined wording of the finding, if the intent is to tie 42 CFR § 455.23 to these HHS OIG PCO audits. The program integrity regulation at 42 CFR § 455.23, which requires payment suspension pending investigations of credible allegations of fraud and referral to the Medicaid Fraud Control Unit (MFCU), was effective March 25, 2011 and is not applicable to the two HHS OIG PCO audits referenced above. 42 CFR § 455.23 does not apply because (1) the time period of the above referenced audits was three years before the effective date of this regulation, and (2) the providers audited were not investigated under the “credible allegations of fraud” provision.

**Auditors’ Response:** CLA acknowledges management’s response. CLA has reviewed subsequent correspondence between the Department and U.S. Department of Health and Human Services, Office of Inspector General (USDHHS, OIG). As of the date of our report, CLA is not aware that a resolution has been reached between USDHHS, OIG and the Department.

**2012–07 – Management Evaluation over Federal Program (Significant Deficiency, Compliance)**

**Federal Program:** Emergency Food Assistance, 10.568/569

**Questioned Costs:** None

**Condition:** The U.S. Department of Agriculture conducted a management evaluation (ME) over the Emergency Food Assistance Program. The evaluation covered the period of Fiscal Year 2011. The ME identified the following issues:

1. Delegation of Authority. The Department delegated its administrative authority to another entity of specific program areas, including monitoring responsibilities and disbursement of administrative funds to sub-recipient agencies. Furthermore, the agreement with the entity does not clearly define the roles and responsibilities of the parties.
2. Administrative funds were distributed to food banks using an incorrect distribution rate – pounds per person.
3. The Department did not provide prior-year documentation of the required TEFAP agency reviews.
4. A volunteer at a mobile pantry entered into an agreement with a food bank to receive USDA commodities.
5. The Department monitors administrative funds; however it does not monitor the value of TEFAP commodities.

As of June 30, 2012, we noted that item number 1 above was still an exception as the contract with the entity delegating administrative authority was in place through July 1, 2012.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

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

**2012–07 – Management Evaluation over Federal Program (Significant Deficiency, Compliance) (continued)**

**Criteria:**

1. The Department is not allowed to delegate monitoring and review requirements of eligible subrecipients, per USDA regulations at 7CFR 250.2 and 251.10 (e). The agreement should, at minimum, specify distribution and storage of commodities, and clarify monitoring responsibilities of each entity.
2. CFR 251.3 states that the Department must ensure that the correct distribution rate is applied to administrative funds at the rate of 60 percent of the number of persons in poverty and 40 percent of the number of persons employed.
3. 7 CFR 251.10 and 250.14(c) states that reviews of all distributing agency level warehouse storage facilities must be performed annually. At least 25 percent of all eligible recipient agencies with a signed TEFAP agreement must be reviewed annually. Each agency must be reviewed once every four years, and 1/10 or 20, whichever is fewer.
4. A volunteer cannot enter into an agreement to receive USDA commodities.
5. To ensure the 95% of TEFAP entitlement is utilized, we encourage the use of commodity reports to record and monitor commodity values for a delivery period.

**Cause:** Administrative responsibilities were delegated to another entity as a result of limited staff resources.

**Effect:** Program deficiencies were identified resulting from a lack of Department management and oversight.

**Recommendation:** The USDA guidelines require that the Department retain integral functions in the administration and management of the TEFAP program. The Department must follow USDA regulations at 7CFR 250.2 and 251.10.

**Management's Response:** Management disagrees. The specific item mentioned in this finding was addressed in the TEFAP ME Closeout dated June 21, 2012 and is part of our supporting documentation in our response. The letter from the USDA, states: "The State agency was not meeting the requirement of 7 CFR 250.2 and 251.10 pertaining to program administration and monitoring. We are pleased that the State has removed integral administrative, management, and oversight functions from the New Mexico Association of Food Banks (NMAFB) and has obtained those functions as the State agency. Since the State has obtained responsibility of integral administrative, management, and oversight functions of TEFAP operations, we deem this finding closed."

The State of New Mexico entered into PSCs with all 5 regional food banks effective July 1, 2012 through June 30, 2013. Copies of these contracts are available upon request.

The PSC 12-630-9000-0018 between the State of New Mexico Human Services Department and the New Mexico Association of Food Banks according to Section 3 of the contract terminated on June 30, 2012.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

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

**2012-07 – Management Evaluation over Federal Program (Significant Deficiency, Compliance)** (continued)

The Food and Nutrition Services Bureau has a contract SA 13-630-9000-0024 with the NMAFB for the period of July 1, 2012 through June 30, 2013 for the Distribution of Produce not TEFAP.

**Auditors' Response:** CLA acknowledges the Department's corrective action of entering into PSCs as noted in management's response above. However, also as noted above, the PSCs are not in effect during FY2012. Therefore, the condition is still applicable during FY2012.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2012**

**Section IV. Other Findings**

**Finding 12-01 – Personnel Files (Compliance)**

**Condition:** During our review of personnel files, out of 22 files reviewed we noted two employee personnel file did that did not contain a signed I-9 form.

**Criteria:** According to the Personnel Act (10-9-1 to 10-9-25 NMSA 1978), personnel files should be adequately maintained.

**Cause:** Oversight at the time the employee began employment at the Department.

**Effect:** Employee files appear incomplete and are in noncompliance with Personnel Act (10-9-1 to 10-9-25 NMSA 1978).

**Recommendation:** We recommend that an annual review of personnel files be performed to verify completeness and accuracy of files.

**Management's Response:** Management agrees. Office of Human Resources did a complete audit of all I-9 forms following the discovery of the missing I-9s and will continue to perform an annual review of a random sample.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**June 30, 2012**

**Section II – Financial Statement Findings**

Finding 09-01 Child Support Enforcement Fund Reconciliation (Significant Deficiency in Internal Controls) – Repeated and Modified

**Section III – Federal Award Findings and Questioned Costs**

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

**Section IV – Other Findings**

Finding 11-01 Capital Assets (State Compliance) – Resolved

Finding 11-02 Resolution of Reconciling Items (State Compliance) – Resolved

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**EXIT CONFERENCE**  
**June 30, 2012**

An exit conference was held with the Department on December 13, 2012. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**

Sidonie Squier, Cabinet Secretary  
Charissa Saavedra, Deputy Secretary  
Danny Sandoval, ASD Director, Administrative Services  
Donna Sandoval, ASD Deputy Director, Administrative Services  
Barbara Rodriguez, ASD Deputy Director  
Gary O. Chavez, ASD Bureau Chief  
Stephen Klump, CSED Acting Director  
Cathi Valdes, CSED Deputy Director  
Penny Jimerson, ISD Deputy Director  
Usha Shannon, ASD PRB Bureau Chief  
Charmaine Espinosa, Financial/Contract Manager, BHSD  
Martin Ortega, ASD/CFSB Bureau Chief  
Paula McGee, Healthcare Operations Manager  
Lupita Capelli, CSED Bureau Chief  
Marilyn Martinez, ISD Deputy Director  
Rachelle Klump, Assistant General Counsel  
Carolee Graham, Accounting Bureau Chief  
Carmella Trujillo, APPB Bureau Chief  
Eluid Martinez, Deputy CIO

**CLIFTONLARSONALLEN LLP**

Janet Pacheco-Morton, CPA, CGFM, Audit Partner  
Raul Anaya, CPA, CGFM, CFE, Audit Senior Manager  
Megan O'Laughlin, Associate

**PREPARATION OF FINANCIAL STATEMENTS**

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