

Timothy M. Keller
State Auditor



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State of New Mexico
OFFICE OF THE STATE AUDITOR

VIA EMAIL AND U.S. MAIL

January 19, 2017

Brent Earnest
Secretary
New Mexico Department of Human Services
P.O. Box 2348
Santa Fe, NM 87504

Secretary Earnest:

The Office of the State Auditor (“OSA”) released the Fiscal Year 2016 financial and compliance audit for the New Mexico Department of Human Services (“Department”). The independent accounting firm CliftonLarsonAllen LLP (“CLA”) performed the audit.

The Department administers key health and income support programs that provide critical services to hundreds of thousands of our state’s most vulnerable residents each year. As one of the states with the highest rates of poverty, unemployment, food insecurity and behavioral health gaps, the inability of the Department to process requests for assistance in an appropriate and timely manner has a tremendous impact on New Mexican families.

In Fiscal Year 2016, federal litigation brought to light certain long-standing, unaddressed shortcomings with respect to the Department’s processing of Supplemental Nutrition Assistance Program (“SNAP”) and Medicaid benefits, as well as allegations that managers overseeing the SNAP program instructed employees to falsify applicant information in an effort to delay or deny emergency food assistance. The OSA asked CLA to examine these issues as part of the annual audit process. With regard to benefit processing, the audit report includes a finding regarding the Department’s failure to document benefit eligibility requirements in the ASPEN system when processing Temporary Assistance for Needy Families (“TANF”), Medicaid, Low Income Home Energy Assistance Program (“LIHEAP”), and SNAP applications. The Department should promptly address this shortfall.

However, regarding the allegations concerning altered applications, CLA did not complete the additional testwork requested by OSA because the U.S. Department of Agriculture (“USDA”) special agent assigned to the case stated that the procedures requested by the OSA may interfere with the ongoing federal inquiry. It is the OSA’s expectation that the USDA, in conjunction with the Department’s Inspector General, will complete a thorough investigation, both with respect to the roles of employees and management, and that the results of that investigation will be made public.

The Department disclosed the litigation involving income support processing as part of its contingent liabilities (Note 8 of the financial statements), but the Department does not describe

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any steps that the Department is taking to correct these problems and mitigate potential liability. A pattern of long-term mismanagement could result in the loss of federal resources that comprise the vast majority of the Department finances. Considering the significance of this issue the Department should have outlined its planned corrective actions with greater specificity.

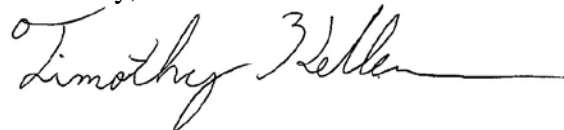
While it is promising that a federal court has appointed an independent Special Master to oversee the Department's efforts to provide food and medical assistance to low-income New Mexicans, it is disappointing that this step was ever necessary. As Judge Kenneth Gonzales stated in his September 2016 contempt order, "[i]t remains clear that HSD and its officials have failed to exercise the leadership, control and managerial oversight to effectively come into compliance with the Court Orders, the Decree, and federal law." With over 80 percent of the Department's funding coming from the federal government, the Department's mismanagement and failure to comply with federal laws places these important resources in jeopardy.

The Fiscal Year 2016 audit report also contains a significant deficiency finding regarding the Department's backlog in completing required long-term care audits. Federal Medicaid program requirements dictate that the Department provide for periodic audits of the financial and statistical records of participating providers. The audit notes that the Department is not meeting this condition. With regard to the audit reports received by the Department, 28 of the 37 hospital reports were from 2012-2013; all 75 nursing facility reports were from 2010-2012; and no intermediate care facility audit reports had been completed since 2014. Once again, the failure to provide an appropriate level of oversight and comply with federal rules places critical funding at risk. It also may result in the Department relying on inaccurate service provider cost reports.

The Department's inability to act in a manner consistent with federal requirements remains deeply troubling. Sound fiscal management and programmatic operations are critical to maintaining federal assistance and the delivery of essential services to New Mexicans. As Judge Carmen Garza noted, "when an eligible SNAP or Medicaid applicant is denied or delayed in receiving benefits, that individual loses benefits he or she may rely on to eat, to feed his or her children or to receive essential medical coverage." We simply cannot let families fall through the cracks due to bureaucratic deficiencies and mismanagement.

Please let us know if we can be of assistance as the Department works to strengthen its processes.

Sincerely,

A handwritten signature in black ink that reads "Timothy M. Keller". The signature is written in a cursive style with a long horizontal line extending to the right.

Timothy M. Keller
State Auditor

**STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2016**

Name	Title
Brent Earnest	Cabinet Secretary
Sean Pearson	Deputy Secretary/Director, Income Support Division
Mike Nelson	Deputy Secretary
Christopher Collins	General Counsel
Danny Sandoval	Director, Administrative Services Division
Carolee Graham	Deputy Director, Administrative Services Division
Joyce Sandoval	Deputy Director, Administrative Services Division
Vida Tapia-Sanchez	Deputy Director, Income Support Division
Shanita Harrison	Deputy Director, Income Support Division
Laura Galindo	Director, Child Support Enforcement Division
Betina McCracken	Deputy Director, Child Support Enforcement Division
Matthew Lovato	Deputy Director, Child Support Enforcement Division
Nancy Smith-Leslie	Director, Medical Assistance Division
Russell Toal	Deputy Director, Medical Assistance Division
Jason Sanchez	Deputy Director, Medical Assistance Division
Wayne Lindstrom	Director, Behavioral Health Services Division
Shilo Stewart	Acting CIO, Information Technology Division
Carol Thomas-Gravel	Deputy CIO, Information Technology Division
Johnna Padilla	Human Resources Director

INDEPENDENT AUDITORS' REPORT

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the New Mexico Human Services Department (the Department) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Department's fiduciary fund and the budgetary comparison schedules presented as required supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary fund and the budgetary comparison schedules of the Department as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information, and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2016, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 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.

Supplementary Information

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's financial statements, the fiduciary fund, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules (Supplementary Schedules 1-4) required by 2.2.2 NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

The Schedule of Expenditures of Federal Awards and other schedules as listed in the table of contents as the Schedule of Joint Powers and Other Government Agreements, the Schedule of Changes in Assets and Liabilities – Agency Fund, and the Schedule of Special Appropriations (excluding Prior Years' Expenditures) required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other schedules as listed in the table of contents as the Schedule of Joint Powers and Other Government Agreements, the Schedule of Changes in Assets and Liabilities – Agency Fund, and the Schedule of Special Appropriations (excluding Prior Years' Expenditures) required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT) and the Schedule of Special Appropriations (Prior Years' Expenditures only) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 1, 2016

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016. 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 financial statements, and
4. Budgetary comparison statements.

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

The *Department-wide Statement of Net Position* reports the assets of the Department and the corresponding claims and liabilities against those assets at June 30, 2016. The difference between the value of the assets and the liabilities is reflected as the value of the net position. Increases or decreases in net position measure whether the financial position of the Department improved or deteriorated. Net assets legally limited to a particular use are reported as restricted. Unrestricted net assets are assets that can be used to fund operating expenses in future years.

The *Department-wide Statement of Activities* reports the expenses of providing healthcare services and financial assistance to eligible New Mexico residents, and the cost of general government operations of the Department, with a comparison of the program revenues obtained to finance them, and the general revenues made available to fund the difference. The statement also reports the change in net position during the 2016 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
YEAR ENDED JUNE 30, 2016**

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
YEAR ENDED JUNE 30, 2016**

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 2014 through 2016. Management has not attempted to recast this information, except as adjusted in preparation of the fiscal year 2016 financial statements and information.

At the end of Fiscal Year 2016, the Department does not have a deficit balance in any of the funds. The Department is current with reconciliation of expenditures, revenues, and federal reporting.

Net Position and Changes in Net Position. Table 1 summarizes the net position in Governmental Activities of the Department for the fiscal year ended June 30, 2016, with comparative balances for the fiscal years ended June 30, 2015 and June 30, 2014.

Table 1 – Net Position

	Governmental Activities <u>FY2016</u>	Governmental Activities <u>FY2015</u>	Governmental Activities <u>FY2014</u>	Increase (Decrease) <u>2015 to 2016</u>	% Change
Assets:					
Current Assets	\$ 314,559,412	\$ 398,033,978	\$ 534,594,169	\$ (83,474,566)	-21%
Non-Current Assets	93,959,268	100,311,496	105,576,063	(6,352,228)	-6%
Total Assets	<u>\$ 408,518,680</u>	<u>\$ 498,345,474</u>	<u>\$ 640,170,232</u>	<u>\$ (89,826,794)</u>	-18%
Liabilities:					
Current Liabilities	<u>\$ 308,405,834</u>	<u>\$ 390,446,834</u>	<u>\$ 527,573,439</u>	<u>\$ (82,041,000)</u>	-21%
Total Liabilities	308,405,834	390,446,834	527,573,439	(82,041,000)	
Net position:					
Net Investment in					
Capital Assets	93,959,268	100,311,496	105,576,063	(6,352,228)	-6%
Restricted	407,223	386,516	259,732	20,707	5%
Unrestricted	5,746,355	7,200,628	6,760,998	(1,454,273)	-20%
Total Net Position	<u>100,112,846</u>	<u>107,898,640</u>	<u>112,596,793</u>	<u>(7,785,794)</u>	-7%
Total Liabilities					
and Net Position	<u>\$ 408,518,680</u>	<u>\$ 498,345,474</u>	<u>\$ 640,170,232</u>	<u>\$ (89,826,794)</u>	-18%

The Department's net investment in capital assets totaled \$93,959,268 at June 30, 2016. The decrease from 2015 is mostly due to depreciation expense of \$6,790,191.

The net position of the Department is consistent with that of 2015, the only major change being the depreciation expense and the impact on noncurrent assets. At June 30, 2016, net position was \$100,112,846.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Table 2 – Changes in Net Position

Table 2 presents the detail changes in net position from 2014 to 2016. Net position decreased by \$7,786,244 in 2016, resulting in net position at June 30 of \$100,112,846.

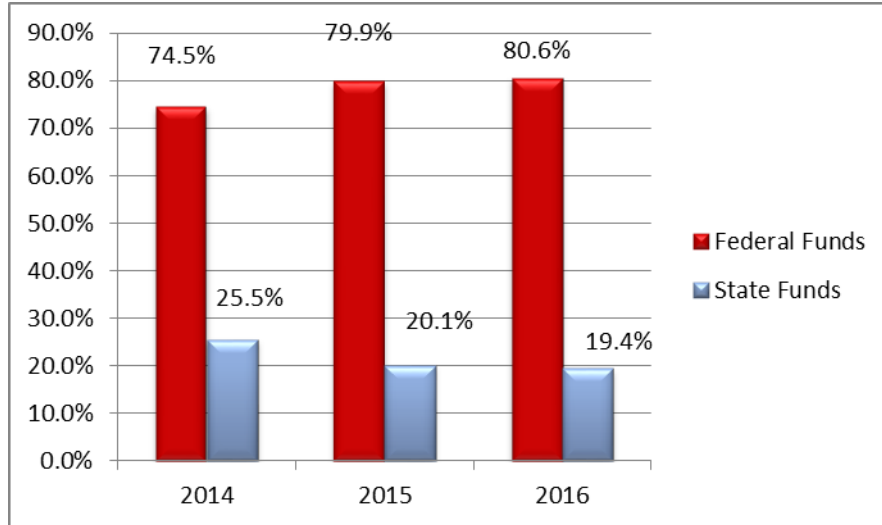
	Governmental Activities <u>FY2016</u>	Governmental Activities <u>FY2015</u>	Governmental Activities <u>FY2014</u>	Increase (Decrease) <u>2015 to 2016</u>	% Change
Revenues:					
Program Revenues:					
Charges for Services	\$ 106,053,370	\$ 100,865,487	\$ 128,147,627	\$ 5,187,883	5%
Federal Funds	<u>5,481,029,890</u>	<u>5,037,313,915</u>	<u>3,999,537,951</u>	<u>443,715,975</u>	9%
Total Program Revenues	5,587,083,260	5,138,179,402	4,127,685,578	448,903,858	9%
General Revenues and Special Items:					
State Appropriation, Net	1,036,499,100	1,014,587,100	1,031,081,894	21,912,000	2%
STB Proceeds	-	747,816	6,140,591	(747,816)	-100%
Contributed Assets	-	209,679	-	(209,679)	-100%
Transfers from Other					
State Agencies	<u>178,418,869</u>	<u>145,974,582</u>	<u>210,845,673</u>	<u>32,444,287</u>	22%
Total Revenues	6,802,001,229	6,299,698,579	5,375,753,736	502,302,650	8%
Expenses and Transfers Out					
Healthcare Services	5,643,255,813	5,133,388,327	4,178,727,421	509,867,486	10%
Financial Assistance	860,083,658	821,303,741	766,780,091	38,779,917	5%
General Government	<u>306,448,002</u>	<u>349,704,214</u>	<u>303,961,515</u>	<u>(43,256,212)</u>	-12%
Total Expenses and Transfers	6,809,787,473	6,304,396,282	5,249,469,027	505,391,191	8%
Increase (Decrease) in Net Position	(7,786,244)	(4,697,703)	126,284,709	(3,088,541)	66%
Net Position - Beginning of Year	<u>107,899,090</u>	<u>112,596,793</u>	<u>(13,687,916)</u>	<u>(4,697,703)</u>	-4%
Net Position - End of Year	<u>\$ 100,112,846</u>	<u>\$ 107,899,090</u>	<u>\$ 112,596,793</u>	<u>\$ (7,786,244)</u>	-7%

Table 2 reflects 9% growth in program revenues. Charges for services increased in 2016 as a result of these factors: fluctuations in drug rebate amounts invoiced to managed care organizations; federal funds continue to increase as a result of increased Medicaid enrollment that the Department receives 100% federal funding for and also the increase in 100% federal Supplemental Nutritional Assistance Program (SNAP) enrollment.

Healthcare services expenditures increased by 10% due to increase in enrollment and expansion of Medicaid. General government expenditures decreased by 12% due mostly to the ASPEN costs limited to maintenance and operations.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 2016 increased to 80.6% due to the 100% federal funding for the expansion of Medicaid and the new adult group. The remaining 19.4% state funds were comprised of State general revenue appropriations, reimbursements from other state agencies, miscellaneous revenues and transfers.

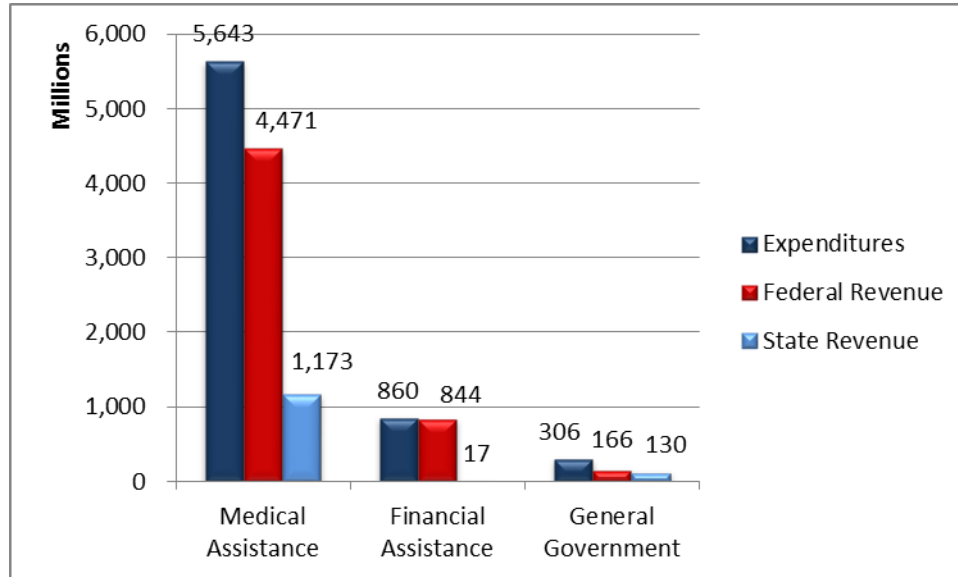
The Department was subject to additional testing and sampling in 2016 for the 100% federal funding by the Centers for Medicare and Medicaid Services (CMS) of the new adult group in Medicaid Expansion. The Department must also have approval of the federal awarding agencies CMS and USDA for the maintenance and operations of ASPEN and the cost of eligibility staff using ASPEN. Proposed allocation methods and estimated budgetary amounts are submitted to CMS and USDA on an annual basis and updated as-needed. The detail amounts of grant funded expenditures can be seen in the Schedule of Expenditures of Federal Awards (SEFA) on pages 66 and 67.

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

Governmental Activities Costs not covered by program revenues are covered by the sources of general revenues that primarily include state appropriations and transfers from other state agencies. Figure 2 shows the relationship of governmental direct expenses to program revenues for fiscal year 2016.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Figure 2 – Total Expenditures and Revenues



The total costs of all the Department's governmental activities this year was \$6,809,787,473. Of these total costs, 83% were for medical assistance services provided to eligible residents of the state, primarily under the Medicaid program, of which 79% was financed by federal grants, and general revenues and charges for services funded 21%. Most of the state appropriations are committed to match the federal government's share of the costs of the medical assistance program.

A total of \$860,083,658 or 13% of total costs pertains to financial assistance provided to eligible residents; 98% of these costs were funded by federal grants. The remaining 2% was financed with state funds, including charges for services.

The overall increase in expenditures from 2015 is caused largely by the increase in healthcare services (Medicaid).

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. Note that the information below is not intended to be a comprehensive listing of all budget adjustments processed during the year. However, the most significant adjustments, in management's opinion, are presented below.

- In Fund 052 (General Operating Fund), there were increases totaling \$14,701,644. In this fund there were also decreases totaling \$1,644,000.
- In P522 there was one budget increase processed totaling \$165,000. This increase was from federal funds for activity related to DASIS grant.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

- In P523, three budget adjustments were processed. One of the adjustments was to increase the budget from Federal Incentives Funds of \$513,108 to reimburse the Federal Government for overdraws of incentive funds for prior years. There was also one reducing budget adjustment of \$222,000 from the general fund as required by Section 10 of the General Appropriations Act of 2016. There was also one budget adjustment reducing the general fund by \$400,000, which was transferred to the Medicaid Program to reduce the projected budget shortfall in that program. .
- In P524, three budget adjustments were processed. One adjustment was for \$385,517 to budget the State Innovation Models (SIM) Grant, which was not part of the beginning operating budget. There were also two adjustment totaling \$8,066,000 from federal Title XIX funds to allow for funds transfer to other state agencies such as DOH and CYFD. It is important to note that the other agencies certify up the match for the federal funds and HSD as the single Medicaid Agency draws and transfers the federal funds to those agencies.
- In P525, four increases were processed totaling \$1,929,919. Three of the increases totaling \$1,829,919 were from federal funds; one of the increases totaling \$100,000 was a general fund transfer from Fund 975. The federal fund increases include an increase of \$707,103 from the Child Nutrition State Administrative Expense to purchase equipment. The other adjustment was an increase from SNAP Bonus Funds totaling \$887,626 which had been reserved as fund balance in a prior period and finally \$235,190 was an increase from a CHIPRA III Grant not included as part of the original operating budget. As discussed previously one budget adjustment was a transfer from Fund 975 for \$100,000 in general fund to meet year end obligations in Fund 052.
- In P767, there were 4 increases processed, totaling \$3,642,100. There were also 2 budget decreases totaling \$1,022,000. All of the increases were to budget federal funds that were not part of the beginning operating budget. Those increases include \$1,328,000 for Housing Supports for Health and Recovery for Homeless Individuals Grant, \$1,240,000 for Partnership for Success Grant, \$661,138 for Certified Community Behavioral Health Clinics Grant and \$412,962 from Title XIX to adjust the budget to the projected level of expenditure for BHSD staff as outlined the HSD's approved cost allocation plan. There was one reducing budget adjustment of \$222,000 from the general fund as required by Section 10 of the General Appropriations Act of 2016. There was also one budget adjustment reducing the general fund by \$800,000, which was transferred to the Medicaid Program to reduce the projected budget shortfall.
- In Fund 974 (Income Support), there was one budget increase of \$4,880,803 from federal funds for the LIHEAP Program. The LIHEAP Program has carryover funds which the program is attempting to spend down. This increase aligned the budget with the projected program expenditure.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

- In Fund 975 (Income Support), there were four budget increases totaling \$38,910,675 from federal funds. There were three budget decreases from general fund totaling \$422,000. Two of the federal increases totaling \$36,574,978 were for the SNAP Program aligning that budget with the projected expenditure level for that program. This program does not require a state match. One of the increases was for the Commodity Assistance Program for \$560,444 to reconcile the budget to the grant of award. There was also one adjustment to budget the SNAP Bonus Funds totaling \$1,775,253, which were used as fund enhancements to the ASPEN system used by Income Support staff. There was one reducing budget adjustment of \$222,000 from the general fund as required by Section 10 of the General Appropriations Act of 2016. There was also one budget adjustment reducing the general fund by \$100,000, which was transferred to the Medicaid Program to reduce the projected budget shortfall in that program. As previously discussed, there was one general fund transfer of \$100,000 to Fund 052 to meet projected year end obligations.
- In Fund 976 (Medical Assistance), there were increases totaling \$65,610,000 and one decrease totaling \$4,585,000.
 - In P524, there were three increases totaling \$65,610,000 from various sources. There was one adjustment of \$59,725,000 to increase Drug Rebate revenue to the projected level. Revenue from this source has some prior quarters which have not been claimed and this adjustment reflects some catch up. There was also one transfer from Medicaid Behavioral Health to the Medicaid Program (P766 to P524) of \$4,585,000 in general fund to align the budget in Medicaid Program and Medicaid Behavioral Health with the Medicaid projection. As previously discussed in Fund 052 and 975, there were transfers totaling \$1,300,000 in general fund to the Medicaid Program to reduce the projected shortfall in this program.
 - In P766, as discussed above, there was one general fund decrease totaling \$4,585,000 to align expenditures in the Medicaid Program and Medicaid Behavioral Health with the Medicaid projection.
- In Fund 20520 (Traumatic Brain Injury), there were no budget adjustments processed.

Special Appropriations that were processed in FY2016.

- Fund 901 (Data Processing Appropriations). There were two appropriations to the Human Services Department that were appropriated in the General Appropriations Act of 2015. One of the appropriations for \$620,000 in general fund and \$5,850,000 in federal funds to replace the Medicaid Management Information System. A second appropriation of \$3,400,000 from HSD fund balance is from Child Support Incentive Funds retained by the Department appropriated to replace the Child Support Enforcement Information System. There was no budget adjustment processed in Fund 901.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Amended Budget Compared to Actual Expenditures and Revenues

- In Fund 052, the ending fund balance of \$4,366,881 has four components. \$54,709 is inventory and prepaid items, \$407,223 reflects the DASIS funding that is reserved for subsequent fiscal year expenditures, \$3,687,549 is Child Support Incentive Funds earned by the Department which will be used to support the Child Support IT system replacement and \$217,400 is a General Fund Appropriation to BHSD for FY16 and FY17 to transition services to an Administrative Services Organization for a contract set to expire in FY17. The funds will be utilized in FY17.
- In Fund 20520, assets exceeded liabilities by \$365,027, 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 \$2,821,974, which reflects the balances in the IT appropriations which have not yet expired. Of this amount, \$2,436,702 is for the Child Support replacement system and \$385,272 is for the Medicaid Management Information System replacement.
- 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, the ending fund balance is \$2,041,598 and has two components. \$924,742 is the SSIAR balances authorized to be retained and rolled forward to SFY17 for the General Assistance Program and \$1,116,856 of SNAP Bonus revenue which will be used in a subsequent period.
- In Fund 976, the ending fund balance is zero. Expenditures in the program will continue for another 18 months after the end of the fiscal year from the IBNR which is recorded as a payable. Secondly, this program by statute has the authority to push expenditures forward to subsequent periods.

Capital Assets and Debt Management

Capital Assets. The Department's investment in capital assets as of June 30, 2016 amounted to \$93,959,268 net of accumulated depreciation. This investment in capital assets includes automobiles, equipment and machinery, data processing, and furniture and fixtures. The decrease in the Department's investment in capital assets for the current period was 6%.

Accumulated depreciation at June 30, 2016 was \$22,445,953. 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, 2016, the Department had no long-term debt resulting from borrowing.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Things Affecting the Department's Future

Medicaid Waiver Renewal

The Medicaid Program (Centennial Care) operates under 1115 Waiver approved by the Centers for Medicare and Medicaid Services (CMS). The current waiver is scheduled to expire on December 31, 2018. Over the next 24 months, the Department will engage in a process of evaluating what is working and areas for improvement in the next waiver request. The Department will appoint a subcommittee to focus on key issues for renewal, obtain input from stakeholders and develop a concept paper to guide the process.

Medicaid Expansion

The Department budget request for 2018 was over \$7.35 billion, an overall increase of almost 11% from 2017. The two drivers in the increase are Medicaid enrollment growth and the increase in state share for the expansion population. This population, which has grown by 34% in the past year, has previously been paid for with 100% federal funds. In FY 2017, the federal match dropped to 95% on January 2017 (half of FY 2017). In FY 2018, the federal match steps down again to 94% on January 2018. The Department in 2018 and in the coming years will have to pursue cost containment and other revenue options to lessen the burden of Medicaid Expansion, while also ensuring healthcare quality, measuring health outcomes and managing managed care organization (MCO) performance.

Replacement of Medicaid and Child Support Information Systems

The Department is continuing to work on the plan to replace the existing Medicaid Management Information System (MMIS) to meet Centers for Medicare and Medicaid Services (CMS) requirements, and also replace the existing Child Support Enforcement System (CSES) so that it uses current technology and includes business processes that better support CSED activities. Both replacement projects are being undertaken in a coordinated effort called the Health and Human Services (HHS) 2020. The HHS 2020 framework will accommodate changing requirements, allow adoption of advancing technology and support other New Mexico HHS departments. HHS 2020 will be an outcomes-based model and will provide improved access to more extensive, quality data

Contacting the Department's Financial Management

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016**

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 25,750
Investment in State General Fund Investment Pool	67,660,342
	67,686,092
Receivables:	
Federal Grants, Net of Allowance of \$2,122,882	203,704,903
Accounts Receivable, Net of Allowance of \$101,959,093	30,899,672
Due from Other State Agencies	11,766,400
Net Receivables	246,370,975
Supplies and Commodities Inventory	502,345
Total Current Assets	314,559,412
NON-CURRENT ASSETS	
Capital Assets, Net	93,959,268
TOTAL ASSETS	\$ 408,518,680
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 33,466,600
Accrued Payroll	3,617,206
Healthcare Services Payable	209,398,160
Due to State General Fund	4,009,357
Compensated Absences	3,441,902
Other Liabilities	3,161,290
Due to Other State Agencies	4,344,318
Due to Agency Fund	173,800
Unearned Revenue	791,804
Due to Other Entities	46,001,397
Total Liabilities	308,405,834
NET POSITION	
Net Investment in Capital Assets	93,959,268
Restricted for Special Programs	407,223
Unrestricted	5,746,355
Total Net Position	100,112,846
TOTAL LIABILITIES AND NET POSITION	\$ 408,518,680

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants	
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Healthcare Services	\$ 5,643,255,813	\$ 88,838,133	\$ 4,470,721,583	\$ (1,083,696,097)
Financial Assistance	860,083,658	4,300,616	844,109,201	(11,673,841)
General Government	301,215,837	12,914,621	166,199,106	(122,102,110)
	<u>\$ 6,804,555,308</u>	<u>\$ 106,053,370</u>	<u>\$ 5,481,029,890</u>	<u>(1,217,472,048)</u>
				General Revenues and Transfers:
				State General Fund Appropriations 1,036,499,100
				Loss on Disposal of Assets (30,059)
				Reversion of State General Fund Appropriations (154,580)
				Transfers to Other State Agencies (5,047,526)
				Transfers from Other State Agencies 178,418,869
				Total General Revenues and Transfers 1,209,685,804
				CHANGE IN NET POSITION (7,786,244)
				Net Position - Beginning of Year 107,899,090
				NET POSITION - END OF YEAR \$ 100,112,846

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Major Funds		
	05200	20520	89200
	General Fund	Traumatic Brain Injury	Severance Tax Bond Proceeds
ASSETS			
Cash	\$ 750	\$ -	\$ -
Investment in State General Fund			
Investment Pool	6,111,871	534,006	-
Federal Grants Receivable, Net	35,004,726	241,777	-
Accounts Receivable, Net	176,692	1,428	-
Due from Other State Agencies	261,630	78,934	-
Supplies and Commodities Inventory	54,709	-	-
	<u>41,610,378</u>	<u>856,145</u>	<u>-</u>
Total Assets			
LIABILITIES			
Accounts Payable	25,310,231	132,895	-
Accrued Payroll	3,603,724	-	-
Healthcare Services Payable	-	-	-
Due to State General Fund	2,678,804	-	-
Other Liabilities	302,827	-	-
Due to Other State Agencies	2,526,331	-	-
Unearned Revenue	344,168	-	-
Due to Other Funds	173,800	-	-
Due to Other Entities	2,303,612	358,223	-
	<u>37,243,497</u>	<u>491,118</u>	<u>-</u>
Total Liabilities			
FUND BALANCES			
Nonspendable - Inventory	54,709	-	-
Restricted	407,223	-	-
Committed	217,400	365,027	-
Assigned	3,687,549	-	-
	<u>4,366,881</u>	<u>365,027</u>	<u>-</u>
Total Fund Balances			
	<u>\$ 41,610,378</u>	<u>\$ 856,145</u>	<u>\$ -</u>
Total Liabilities and Fund Balances			

See accompanying Notes to Financial Statements.

Major Funds

90100 Data Processing Appropriations	97400 Income Support L Warrants	97500 Income Support N Warrants	97600 Medical Assistance	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 25,000	\$ 25,750
2,777,825	359,495	2,652,613	55,224,532	67,660,342
2,403,814	308,020	5,384,992	160,361,574	203,704,903
-	-	980	30,720,572	30,899,672
-	-	-	11,425,836	11,766,400
-	-	447,636	-	502,345
<u>5,181,639</u>	<u>667,515</u>	<u>8,486,221</u>	<u>257,757,514</u>	<u>314,559,412</u>
9,922	256,261	2,960,115	4,797,176	33,466,600
929	-	12,553	-	3,617,206
-	-	-	209,398,160	209,398,160
527	-	2,910	1,327,116	4,009,357
4,209	-	1,221,059	1,633,195	3,161,290
-	-	1,696,669	121,318	4,344,318
-	-	447,636	-	791,804
-	-	-	-	173,800
2,344,078	411,254	103,681	40,480,549	46,001,397
<u>2,359,665</u>	<u>667,515</u>	<u>6,444,623</u>	<u>257,757,514</u>	<u>304,963,932</u>
-	-	-	-	54,709
-	-	-	-	407,223
2,821,974	-	924,742	-	4,329,143
-	-	1,116,856	-	4,804,405
<u>2,821,974</u>	<u>-</u>	<u>2,041,598</u>	<u>-</u>	<u>9,595,480</u>
<u>\$ 5,181,639</u>	<u>\$ 667,515</u>	<u>\$ 8,486,221</u>	<u>\$ 257,757,514</u>	<u>\$ 314,559,412</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$	9,595,480
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

The Cost of Capital Assets is		116,405,221
Accumulated Depreciation is		(22,445,953)
Total Capital Assets		<u>93,959,268</u>

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>(3,441,902)</u>
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Net Position of Governmental Activities (Statement of Net Position)	\$	<u><u>100,112,846</u></u>
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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Major Funds		
	05200	20520	89200
	General Fund	Traumatic Brain Injury	Severance Tax Bond Proceeds
REVENUES			
Federal Grants	\$ 163,924,115	\$ 275,130	\$ -
Other Revenues	11,927,654	986,967	-
Total Revenues	<u>175,851,769</u>	<u>1,262,097</u>	<u>-</u>
EXPENDITURES			
Current:			
Healthcare Services:			
Contractual Services	-	-	-
Healthcare Services:	-	-	-
Total Healthcare Services	<u>-</u>	<u>-</u>	<u>-</u>
Financial Assistance:			
Personal Services	-	-	-
Contractual Services	-	-	-
Financial Assistance	-	-	-
Total Financial Assistance	<u>-</u>	<u>-</u>	<u>-</u>
General Government:			
Personal Services	107,737,441	-	-
Contractual Services	118,807,285	1,500,736	-
Other Operating Costs	62,489,193	-	-
Total General Government	<u>289,033,919</u>	<u>1,500,736</u>	<u>-</u>
Capital Outlay	467,572	-	-
Total Expenditures	<u>289,501,491</u>	<u>1,500,736</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(113,649,722)	(238,639)	-
OTHER FINANCING SOURCES (USES)			
State General Fund Appropriations	112,709,339	-	-
Transfers in from Other State Agencies	998,837	-	-
Transfers out to Other State Agencies	(5,047,526)	-	-
Reversions	(154,580)	-	-
Net Other Financing Sources (Uses)	<u>108,506,070</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(5,143,652)	(238,639)	-
Fund Balances - Beginning	9,510,533	603,666	-
FUND BALANCES - ENDING	<u>\$ 4,366,881</u>	<u>\$ 365,027</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

Major Funds

90100 Data Processing Appropriations	97400 Income Support L Warrants	97500 Income Support N Warrants	97600 Medical Assistance	Total Governmental Funds
\$ 1,999,861	\$ 16,255,711	\$ 827,853,490	\$ 4,470,721,583	\$ 5,481,029,890
-	-	4,300,616	88,838,133	106,053,370
<u>1,999,861</u>	<u>16,255,711</u>	<u>832,154,106</u>	<u>4,559,559,716</u>	<u>5,587,083,260</u>
-	-	-	8,101,609	8,101,609
-	-	-	5,635,154,204	5,635,154,204
-	-	-	<u>5,643,255,813</u>	<u>5,643,255,813</u>
-	-	541,888	-	541,888
-	-	23,929,343	-	23,929,343
-	16,255,711	819,356,716	-	835,612,427
-	<u>16,255,711</u>	<u>843,827,947</u>	-	<u>860,083,658</u>
-	-	-	-	107,737,441
3,408,548	-	-	-	123,716,569
-	-	-	700,995	63,190,188
<u>3,408,548</u>	-	-	<u>700,995</u>	<u>294,644,198</u>
-	-	-	-	467,572
<u>3,408,548</u>	<u>16,255,711</u>	<u>843,827,947</u>	<u>5,643,956,808</u>	<u>6,798,451,241</u>
(1,408,687)	-	(11,673,841)	(1,084,397,092)	(1,211,367,981)
-	-	12,234,800	911,554,961	1,036,499,100
4,020,000	-	887,626	172,512,406	178,418,869
-	-	-	-	(5,047,526)
-	-	-	-	(154,580)
<u>4,020,000</u>	-	<u>13,122,426</u>	<u>1,084,067,367</u>	<u>1,209,715,863</u>
2,611,313	-	1,448,585	(329,725)	(1,652,118)
<u>210,661</u>	-	<u>593,013</u>	<u>329,725</u>	<u>11,247,598</u>
<u>\$ 2,821,974</u>	<u>\$ -</u>	<u>\$ 2,041,598</u>	<u>\$ -</u>	<u>\$ 9,595,480</u>

**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, 2016**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (1,652,118)
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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:	218,552
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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	467,572
Depreciation Expense	(6,790,191)
Excess of Depreciation Expense Over Capital Outlay	(6,322,619)

Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.

Loss on disposal of assets	(30,059)
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Change in Net Position of Governmental Activities (Statement of Activities)	\$ (7,786,244)
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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
YEAR ENDED JUNE 30, 2016**

	<u>97800 Child Support Enforcement</u>
ASSETS	
Current Assets:	
Interest in the State Treasurer General Fund Investment Pool	\$ 329,856
Other Receivables, Net of Allowance of \$1,634,020	597,354
Due from Other Funds	173,800
Due from Other Agencies	<u>9,207</u>
Total Assets	<u><u>\$ 1,110,217</u></u>
LIABILITIES	
Current Liabilities:	
Deposits Held in Trust for Others	\$ 512,863
Other Liabilities	<u>597,354</u>
Total Liabilities	<u><u>\$ 1,110,217</u></u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, federal revenue represented 81% of the Department's total revenue and other financing sources.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Financial Reporting Entity

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

Department-wide and Fund Financial Statements

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

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

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

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

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

Governmental Funds are used to account for most of the Department's general activities, including the collection and disbursement of 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. Unexpended state appropriations in fund 20520 revert back to the State General Fund for reappropriation when the appropriation period expires.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

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

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

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.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

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. A significant portion of the amount is payable either to third parties such as the individual on whose behalf the payment was originally required or the U.S. Department of Health and Human Services for cases in which a child is receiving financial assistance from that department.

Basis of Accounting

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

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

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

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 \$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.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

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

Pensions

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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.

Net Position

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

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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that qualified for reporting in this category as of June 30, 2016.

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).

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

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

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

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

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

Healthcare Services Payable

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

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Healthcare Services Payable

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.

Federal Grants Receivable

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

NOTE 3 STATE GENERAL FUND INVESTMENT POOL

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

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006 through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Board of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

The State Controller indicated on August 8, 2016 that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

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

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.

NOTE 4 CASH AND 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, 2016, the Department had the following invested in/due to the State General Fund Investment Pool:

	Fund	Department Balances
Interest in the State General Fund Investment Pool:		
General Fund	05200	\$ 6,111,871
Traumatic Brain Injury	20520	534,006
Data Processing Appropriations	90100	2,777,825
Income support - L Warrants	97400	359,495
Income Support - N Warrants	97500	2,652,613
Medical Assistance	97600	55,224,532
Total Governmental Funds		67,660,342
Child Support Enforcement - K Warrants	97800	329,856
Total		\$ 67,990,198
Other Cash Balances:		
Petty Cash	05200	\$ 750
Wells Fargo Bank	97600	25,000
Total Other Cash Balances		\$ 25,750

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 4 CASH AND INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL
(CONTINUED)**

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, 2016.

Custodial Credit Risk

The Department's cash balance of \$25,750 is fully insured by the Federal Deposit Insurance Corporation.

NOTE 5 CAPITAL ASSETS

Governmental Activities

The current year depreciation expense of \$6,790,191 was allocated entirely to the general government function in the government-wide statement of activities.

	June 30, 2015	Additions	Deletions	June 30, 2016
Capital Assets:				
Automobiles	\$ 1,058,142	\$ 467,572	\$ (325,904)	\$ 1,199,810
Equipment and Machinery	1,007,093	-	(14,020)	993,073
Data Processing Equipment	114,601,537	-	(541,715)	114,059,822
Furniture and Fixtures	152,516	-	-	152,516
Total Capital Assets	116,819,288	467,572	(881,639)	116,405,221
Accumulated Depreciation				
Automobiles	(635,664)	(83,361)	325,904	(393,121)
Equipment and Machinery	(865,881)	(16,304)	14,020	(868,165)
Data Processing Equipment	(14,906,082)	(6,690,526)	511,656	(21,084,952)
Furniture and Fixtures	(99,715)	-	-	(99,715)
Total Accumulated Depreciation	(16,507,342)	(6,790,191)	851,580	(22,445,953)
Total Capital Assets	<u>\$ 100,311,946</u>	<u>\$ (6,322,619)</u>	<u>\$ (30,059)</u>	<u>\$ 93,959,268</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following:

	June 30, 2015	Additions	Deletions	June 30, 2016
Total Compensated Absences	\$ 3,660,454	\$ 3,614,502	\$ (3,833,054)	\$ 3,441,902

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

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

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 fiscal years ending between July 1, 2015 and June 30, 2016 were 30.76% complete by June 30, 2016. 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.

During July of 2016, the Department was held in contempt of court for failure to meet certain deadlines related to a settlement agreement stemming from a case in 1990 involving issues with the application process for income support. A federal judge has issued multiple orders relating to this case, and has appointed a Special Master to oversee the process beginning in December of 2016 and ending in January of 2018. The outcome of this process cannot be determined.

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

In fiscal year 2012, the Department of Health and Human Services (HHS) issued audit reports covering personal care service claims submitted by five organizations with respect to 100 reviewed claims for each provider, selected on a random basis. The results of these audits contained alleged overpayment of federal funds. The Department is currently working with HHS to settle this matter, and the outcome is not determined.

On July 22, 2015 HHS notified the Department that a review of certain records indicated that unallowable bonus payments were made related to the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). HHS has taken no formal action against the Department at this time, and therefore the outcome is not able to be determined.

As of June 30, 2016 there are 12 cases pending in state court involving claims by behavioral health providers seeking remedy for breach of contract. The Department has moved to dismiss the cases, and a favorable or unfavorable outcome is not determined.

The Department at June 30, 2016 was also aware of a case involving reimbursements for pharmaceutical payments and the interpretation of a state statute that gives pharmacists a fixed fee for dispensing drugs under the Medicaid program. The New Mexico Court of Appeals both affirmed and reversed in part the district court's opinion. On August 25, 2014, the New Mexico Supreme Court dismissed all of the plaintiffs' claims against the Department and the defendant managed care organizations relating to Medicaid managed care. A proposed settlement is pending on this matter, and the outcome is likely to be favorable for the Department.

There is an on- going federal investigation concerning the Supplemental Nutrition Assistance Program (SNAP) specifically related to possible false modifications to applications that effected the timing of benefit, or possible decline of benefits paid to participants.

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, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Funding Policy

The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ended June 30, 2016, 2015 and 2014 were \$12,385,434, \$11,999,761, and \$11,166,263, respectively, equal to the amount of the required contributions for each fiscal year.

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

Plan Description

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

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

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

Funding Policy

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

Each participating retiree pays a monthly premium according to a service based on a 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

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Funding Policy (Continued)

their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

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

The Department's contributions to the RHCA for the fiscal years ending June 30, 2016, 2015 and 2014 were \$1,457,956, \$1,471,785, and \$1,354,669, respectively, which equal the amount of required contributions for each fiscal year.

NOTE 11 LEASE COMMITMENTS

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

Years ending June 30:

Year Ending December 31,	Amount
2017	\$ 17,920,924
2018	18,064,944
2019	8,381,359
2020	8,509,751
2021	8,677,565
2022-2026	24,537,810
2027-2031	9,369,791
2032-2033	1,194,487
Total	\$ 96,656,631

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 LEASE COMMITMENTS (CONTINUED)

Total rent expense for office space and equipment for the fiscal year ended June 30, 2016 was as follows:

Office Space	\$ 17,067,217
Equipment	834,147
Total	<u>\$ 17,901,364</u>

NOTE 12 REVERSIONS 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. The Department accrued \$154,580 reversions specifically related to fiscal year ending June 30, 2016. The Department will be reverting \$3,854,777 in fiscal year 2017 for returned funds from fiscal years 2015 and prior. The amount to be reverted to the State General Fund for the stale-dated warrants may be less than shown due to federal participation. The reversion payable by fund, program and appropriation period were as follows:

Current Fiscal Year:			
Fund 052	General Fund P525	Fiscal Year 2016	\$ 128,116
Fund 052	General Fund P767	Fiscal Year 2016	26,464
			<u>154,580</u>
Prior Fiscal Years:			
Fund 052	General Fund P524	Fiscal Year 2012	3
Fund 052	General Fund P767	Fiscal Year 2014	4,912
Fund 052	General Fund P522	Fiscal Year 2015	16,473
Fund 052	General Fund P525	Fiscal Year 2015	10,096
Fund 052	General Fund P767	Fiscal Year 2015	2,492,739
Fund 901	Data Processing	Fiscal Year 2015	527
Fund 975	Income Support	Fiscal Year 2014	1,605
Fund 975	Income Support	Fiscal Year 2015	1,305
Fund 976	Medical Assistance	Fiscal Year 2011	279
Fund 976	Medical Assistance	Fiscal Year 2012	1,069,436
Fund 976	Medical Assistance	Fiscal Year 2013	104,119
Fund 976	Medical Assistance	Fiscal Year 2014	38,346
Fund 976	Medical Assistance	Fiscal Year 2015	114,937
			<u>\$ 4,009,357</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 TRANSFERS IN AND TRANSFERS OUT

State Agency/Fund	Business Unit	SHARE Fund No.	Purpose	General Fund (05200)
Transfers from Other State Agencies				
Department of Health	66500	06100	CCIC	\$ -
Department of Health	66500	06100	Early Intervention	-
Department of Health	66500	06100	FQHCS	-
Department of Health	66500	06100	SIM15	31,380
Department of Health	66500	06100	SIM16	207,557
Dept. of Finance & Administration	34100	02100	County Supported Medicaid Fund (Admin)	759,900
Dept. of Finance & Administration	34100	62000	Tobacco Settlement	-
Dept. of Finance & Administration	34100	89000	MMIS	-
Total Transfers from Other State Agencies				<u>998,837</u>
Interfund Transfers				
Human Services Department	63000	05200	CESR Incentives	-
Human Services Department	63000	05200	County Supported Medicaid	-
Human Services Department	63000	05200	SNAP Bonus	-
Total Interfund Transfers:				<u>-</u>
Total Transfers In				<u>\$ 998,837</u>
General Fund Appropriations				
Dept. of Finance & Administration	34100	62000	Regular Appropriation	\$ 112,709,339
Dept. of Finance & Administration	34100	62000	Special Appropriations	-
Total Transfers from the State General Fund				<u>\$ 112,709,339</u>

Data Processing Appropriations (90100)	Income Support (97500)	Medical Assistance (97600)	Total
\$ -	\$ -	\$ 106,110,863	\$ 106,110,863
-	-	7,550,343	7,550,343
-	-	481,600	481,600
-	-	-	31,380
-	-	-	207,557
-	-	27,590,000	28,349,900
-	-	30,019,700	30,019,700
620,000	-	-	620,000
<u>620,000</u>	<u>-</u>	<u>171,752,506</u>	<u>173,371,343</u>
3,400,000	-	-	3,400,000
-	-	759,900	759,900
-	<u>887,626</u>	-	<u>887,626</u>
<u>3,400,000</u>	<u>887,626</u>	<u>759,900</u>	<u>5,047,526</u>
<u>\$ 4,020,000</u>	<u>\$ 887,626</u>	<u>\$ 172,512,406</u>	<u>\$ 178,418,869</u>
\$ -	\$ 12,234,800	\$ 909,554,961	\$ 1,034,499,100
-	-	2,000,000	2,000,000
<u>\$ -</u>	<u>\$ 12,234,800</u>	<u>\$ 911,554,961</u>	<u>\$ 1,036,499,100</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 TRANSFERS IN AND TRANSFERS OUT (CONTINUED)

State Agency/Fund	Business Unit	SHARE Fund No.	Purpose	General Fund (05200)	Income Support (97500)	Medical Assistance (97600)	Total
Interfund Transfers							
Human Services Department	63000	90100	CESR Incentives	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000
Human Services Department	63000	97500	SNAP Bonus	887,626	-	-	887,626
Human Services Department	63000	97600	County Supported Medicaid	759,900	-	-	759,900
				<u>\$ 5,047,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,047,526</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 DUE TO/FROM OTHER STATE AGENCIES

<u>State Agency</u>	<u>Business Unit</u>	<u>Purpose</u>	<u>General Fund (05200)</u>
DUE TO OTHER STATE AGENCIES:			
Children, Youth and Families Department	69000	Medicaid and TANF Services	\$ (477,592)
DD Planning Council	64700	Determine Disability Eligibility	(133,334)
Department of Health	66500	Medicaid and TANF Services	(1,855,123)
Department of Information Technology	36100	Support Services	(12,275)
State Records Center & Archives	36900	Support Services	(185)
Department of Education	92400	TANF Services	(11,605)
Department of Public Safety	37000	Substance Abuse Enforcement	(36,217)
			<u>\$ (2,526,331)</u>
DUE FROM OTHER STATE AGENCIES:			
Administrative Office of the Courts	21800	Traumatic Brain Injury Fund	\$ -
Tax and Revenue Department	33300	Traumatic Brain Injury Fund	-
Motor Vehicle Division	33300	Reimbursement for Shared Facilities	5,438
Children, Youth and Families Department	69000	Reimbursement for Shared Facilities	2,585
Department of Corrections	77000	Reimbursement for Shared Facilities	20,357
Department of Finance & Administration	34100	County Supported Medicaid Funds	137,690
Department of Health	66500	SPMP	31,424
Department of Health	66500	DD Waiver Staff	-
Department of Transportation	80500	Payroll Benefits	69
Second Judicial District	23200	Overpayment of CSED Expenditures	32,711
Seventh Judicial District	23700	Overpayment of CSED Expenditures	29,274
NM Veterans' Commission	67000	Reimbursement for shared facilities	2,082
			<u>\$ 261,630</u>

Traumatic Brain Injury (20520)	Income Support N Warrants (97500)	Medical Assistance (97600)	Total
\$ -	\$ (457,309)	\$ -	\$ (934,901)
-	-	-	(133,334)
-	(1,239,360)	(121,318)	(3,215,801)
-	-	-	(12,275)
-	-	-	(185)
-	-	-	(11,605)
-	-	-	(36,217)
<u>\$ -</u>	<u>\$ (1,696,669)</u>	<u>\$ (121,318)</u>	<u>\$ (4,344,318)</u>
\$ 28,128	\$ -	\$ -	\$ 28,128
50,806	-	-	50,806
-	-	-	5,438
-	-	-	2,585
-	-	-	20,357
-	-	3,402,464	3,540,154
-	-	-	31,424
-	-	8,023,372	8,023,372
-	-	-	69
-	-	-	32,711
-	-	-	29,274
-	-	-	2,082
<u>\$ 78,934</u>	<u>\$ -</u>	<u>\$ 11,425,836</u>	<u>\$ 11,766,400</u>

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 RISK MANAGEMENT

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

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

During the 2016 fiscal year, the Department paid Risk Management \$2,066,436 in insurance premiums. The Department's loss exposure is limited to \$2,500 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, 2016, 2015 and 2014, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department, with one exception. In a civil action brought pursuant to 42 CFR § 1983 titled Mend Inc. v. Retta Ward et al., No. CIV 13-0870/WJ/LAM, filed in the United States District Court, District of New Mexico on September 17, 2013, RMD covered the Department and the New Mexico Department of Health for alleged violations of a nursing facility's constitutional rights under the Fifth and Fourteenth Amendments. RMD did not cover either agency, however, for concurrent breach of contract claims. The matter was settled on or about September 18, 2014 for \$165,000, of which the Department paid \$15,000.

NOTE 16 FUND BALANCE

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

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.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 FUND BALANCE (CONTINUED)

A summary of the nature and purpose of fund balance reserves by fund type at June 30, 2016 is as follows:

	Non- Spendable	Assigned Purposes	Restricted Purposes	Committed Purposes
General Fund:				
Inventory	\$ 54,709	\$ -	\$ -	\$ -
Child Support Incentives		3,687,549		
Behavioral Health Special Appropriation	-	-	-	217,400
DASIS Funding - Behavioral Health	-	-	407,223	-
Total	<u>\$ 54,709</u>	<u>\$ 3,687,549</u>	<u>\$ 407,223</u>	<u>\$ 217,400</u>
Traumatic Brain Injury:				
Brain Injury Service Funds	\$ -	\$ -	\$ -	\$ 365,027
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,027</u>
Data Processing Appropriations:				
Child Support Enforcement Replacement System (Laws of 2015, Chapter 101, Section 7)	\$ -	\$ -	\$ -	\$ 2,436,702
Medicaid Management Information Replacement System (Laws of 2014, Chapter 63, Section 7)	-	-	-	385,272
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,821,974</u>
Income Support - N Warrants				
SSIR (Laws of 2011, Section 5, Chapter 179, Item 17)	\$ -	\$ -	\$ -	\$ 924,742
SNAP Bonus	-	1,116,856	-	-
Total	<u>\$ -</u>	<u>\$ 1,116,856</u>	<u>\$ -</u>	<u>\$ 924,742</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE – PROGRAM SUPPORT PROGRAM –
 P522 – GENERAL APPROPRIATIONS
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ 35,321,700	\$ 35,321,700	\$ 33,043,304	\$ (2,278,396)
Other	4,293,800	4,293,800	2,110,574	(2,183,226)
Total Revenues	<u>39,615,500</u>	<u>39,615,500</u>	<u>35,153,878</u>	<u>(4,461,622)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	19,533,400	19,533,400	18,595,142	938,258
Contractual Services	21,391,500	21,186,500	20,244,685	941,815
Other Cost	15,671,600	16,041,600	13,427,067	2,614,533
Total Expenditures	<u>56,596,500</u>	<u>56,761,500</u>	<u>52,266,894</u>	<u>4,494,606</u>
OTHER FINANCING SOURCES				
Transfers in:				
General Funds	16,981,000	16,981,000	16,981,000	-
Total Other Financing Sources	<u>16,981,000</u>	<u>16,981,000</u>	<u>16,981,000</u>	<u>-</u>
PRIOR YEAR FUND BALANCE				
BUDGETED	-	165,000		
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES AND				
OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (132,016)</u>	<u>\$ (132,016)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE – CHILD SUPPORT PROGRAM –
P523 – GENERAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ 19,387,300	\$ 19,387,300	\$ 17,365,904	\$ (2,021,396)
Other	5,859,900	5,859,900	5,113,299	(746,601)
Total Revenues	<u>25,247,200</u>	<u>25,247,200</u>	<u>22,479,203</u>	<u>(2,767,997)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	20,632,300	20,010,300	19,294,724	715,576
Contractual Services	7,329,300	7,329,300	6,275,069	1,054,231
Other Cost	5,217,900	5,731,008	5,310,308	420,700
Total Expenditures	<u>33,179,500</u>	<u>33,070,608</u>	<u>30,880,101</u>	<u>2,190,507</u>
OTHER FINANCING SOURCES				
Transfers in:				
General Funds	7,932,300	7,310,300	7,310,300	-
Transfers out:				
Transfers out	(3,400,000)	(3,400,000)	(3,400,000)	-
Total Other Financing Sources	<u>4,532,300</u>	<u>3,910,300</u>	<u>3,910,300</u>	<u>-</u>
PRIOR YEAR FUND BALANCE BUDGETED				
	<u>3,400,000</u>	<u>3,913,108</u>		
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,490,598)</u>	<u>\$ (4,490,598)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE – MEDICAL ASSISTANCE PROGRAM –
 P524 – GENERAL APPROPRIATIONS
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ 4,034,581,900	\$ 4,101,958,900	\$ 4,072,587,015	\$ 16,847,574
Other	2,575,700	91,563,217	89,833,314	(1,729,903)
Total Revenues	<u>4,037,157,600</u>	<u>4,193,522,117</u>	<u>4,162,420,329</u>	<u>(31,101,788)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	13,093,700	13,259,470	12,666,838	592,632
Contractual Services	60,659,200	63,040,444	47,239,651	15,800,793
Other Costs	<u>5,024,292,600</u>	<u>5,095,807,103</u>	<u>5,083,522,893</u>	<u>12,284,210</u>
Total Expenditures	<u>5,098,045,500</u>	<u>5,172,107,017</u>	<u>5,143,429,382</u>	<u>28,677,635</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Funds	802,034,000	807,919,000	808,189,344	(270,344)
Transfers in from Other State Agencies	<u>258,853,900</u>	<u>170,665,900</u>	<u>172,751,344</u>	<u>2,085,444</u>
Total Other Financing Sources (Uses)	<u>1,060,887,900</u>	<u>978,584,900</u>	<u>980,940,688</u>	<u>(806,103,900)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND AND OTHER FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,365)</u>	<u>\$ (68,365)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE – INCOME SUPPORT PROGRAM –
P525 – GENERAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ 862,894,600	\$ 906,740,744	\$ 892,937,956	\$ (13,802,788)
Other	-	3,510,800	4,994,267	1,483,467
Total Revenues	<u>862,894,600</u>	<u>910,251,544</u>	<u>897,932,223</u>	<u>(12,319,321)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	56,352,700	55,562,324	55,041,509	520,815
Contractual Services	32,491,600	36,522,297	30,265,796	6,256,501
Other Cost	821,825,300	862,996,750	855,262,134	7,734,616
Total Expenditures	<u>910,669,600</u>	<u>955,081,371</u>	<u>940,569,439</u>	<u>14,511,932</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Funds	44,264,200	43,942,200	43,919,304	(22,896)
Transfers in from Other				
State Agencies	3,510,800	887,626	887,626	-
Transfers out:				
Transfers out to Other				
State Agencies	-	(887,626)	(887,626)	-
Reversion	-	-	(128,116)	(128,116)
Total Other Financing Sources (Uses)	<u>47,775,000</u>	<u>43,942,200</u>	<u>43,791,188</u>	<u>(151,012)</u>
PRIOR YEAR FUND BALANCE				
BUDGETED	<u>-</u>	<u>887,627</u>		
EXCESS OF REVENUES OVER				
EXPENDITURES AND OTHER				
FINANCING SOURCES (USES)				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,153,972</u>	<u>\$ 1,153,972</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE – MEDICAID BEHAVIORAL HEALTH PROGRAM –
 P766 – GENERAL APPROPRIATIONS
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ 380,048,000	\$ 380,048,000	\$ 378,213,000	\$ (1,835,000)
Total Revenues	380,048,000	380,048,000	378,213,000	(1,835,000)
EXPENDITURES				
Current:				
Other Cost	485,753,000	481,168,000	479,333,000	1,835,000
Total Expenditures	485,753,000	481,168,000	479,333,000	1,835,000
OTHER FINANCING SOURCES				
Transfers in:				
General Funds	105,705,000	101,120,000	101,120,000	-
Total Other Financing Sources	105,705,000	101,120,000	101,120,000	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES				
	\$ -	\$ -	\$ -	\$ -

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE – BEHAVIORAL HEALTH SERVICE PROGRAM –
 P767 – GENERAL APPROPRIATIONS
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ 18,262,000	\$ 21,904,100	\$ 12,549,728	\$ (9,354,372)
Other	-	21,000	184,915	163,915
Total Revenues	<u>18,262,000</u>	<u>21,925,100</u>	<u>12,734,643</u>	<u>(9,190,457)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	2,611,700	2,949,223	2,681,129	268,094
Contractual Services	55,506,300	57,396,803	48,313,773	9,083,030
Other Cost	2,196,200	2,588,274	2,325,844	262,430
Total Expenditures	<u>60,314,200</u>	<u>62,934,300</u>	<u>53,320,746</u>	<u>9,613,554</u>
OTHER FINANCING SOURCES				
Transfers in:				
General Funds	42,031,200	41,009,200	40,761,752	(247,448)
Transfers in from Other State Agencies	21,000	-	-	-
Transfers out:				
Reversions	-	-	(26,465)	(26,465)
Total Other Financing Sources (Uses)	<u>42,052,200</u>	<u>41,009,200</u>	<u>40,735,287</u>	<u>(273,913)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,184</u>	<u>\$ 149,184</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE –INCOME SUPPORT Z-CODES
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Other Cost	593,012	593,012	593,012	-
Total Expenditures	593,012	593,012	593,012	-
PRIOR YEAR FUND BALANCE	<u>\$ 593,012</u>	<u>\$ 593,012</u>		
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (593,012)</u>	<u>\$ -</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE – DATA PROCESSING Z CODES –
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal Grants	\$ -	\$ 5,989,039	\$ 1,999,861	\$ (3,989,178)
Total Revenues	-	5,989,039	1,999,861	(3,989,178)
EXPENDITURES				
Current:				
Personal Services	-	2,700,000	-	2,700,000
Contractual Services	-	7,519,695	3,408,544	4,111,151
Total Expenditures	-	10,219,695	3,408,544	6,811,151
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Funds	-	210,656	-	210,656
Transfers-in	-	4,020,000	4,020,000	-
Total Other Financing Sources (Uses)	-	4,230,656	4,020,000	210,656
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
	\$ -	\$ -	\$ 2,611,317	\$ 2,611,317
PRIOR YEAR FUND BALANCE				
	\$ -	\$ -	\$ 1,307,563	\$ 1,307,563

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE – MEDICAL ASSISTANCE Z CODES –
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal Grants	\$ 70,449,607	\$ 72,395,791	\$ 72,333,123	\$ (62,668)
Other	-	-	3,817,000	3,817,000
Total Revenues	<u>70,449,607</u>	<u>72,395,791</u>	<u>76,150,123</u>	<u>3,754,332</u>
EXPENDITURES				
Current:				
Other Cost	<u>92,266,607</u>	<u>94,712,791</u>	<u>94,650,123</u>	<u>62,668</u>
Total Expenditures	<u>92,266,607</u>	<u>94,712,791</u>	<u>94,650,123</u>	<u>62,668</u>
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	<u>18,000,000</u>	<u>18,500,000</u>	<u>18,000,000</u>	<u>(500,000)</u>
Total Other Financing Sources	<u>18,000,000</u>	<u>18,500,000</u>	<u>18,000,000</u>	<u>(500,000)</u>
PRIOR YEAR FUND BALANCE BUDGETED				
	<u>3,817,000</u>	<u>3,817,000</u>		
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (500,000)</u>	<u>\$ (500,000)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND Z CODES
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Personal Services and Benefits	217,400	217,400	-	217,400
Total Expenditures	217,400	217,400	-	217,400
OTHER FINANCING SOURCES				
Transfers in:				
Transfers-in from Other State Agencies	217,400	217,400	217,400	-
Total Other Financing Sources	217,400	217,400	217,400	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES				
	\$ -	\$ -	\$ 217,400	\$ 217,400

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2016

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 2016 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>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Net Change in Fund Balance</u>
Net Changes in Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance:				
General Fund (052)	\$ 175,851,769	\$ (289,501,491)	\$ 108,506,070	\$ (5,143,652)
Traumatic Brain Injury (20520)	1,262,097	(1,500,736)	-	(238,639)
Data Processing Appropriations (901)	1,999,861	(3,408,548)	4,020,000	2,611,313
Income Support L Warrants (974)	16,255,711	(16,255,711)	-	-
Income Support N Warrants (975)	832,154,106	(843,827,947)	13,122,426	1,448,585
Medicaid Assistance (976)	4,559,559,716	(5,643,956,808)	1,084,067,367	(329,725)
Total	<u>\$ 5,587,083,260</u>	<u>\$ (6,798,451,241)</u>	<u>\$ 1,209,715,863</u>	<u>\$ (1,652,118)</u>
Net Changes in Fund Balance per Budget Schedules:				
General Appropriations:				
Program Support Program (P-522)	\$ 35,153,878	\$ (52,266,894)	\$ 16,981,000	\$ (132,016)
Child Support Program (P-523)	22,479,203	(30,880,101)	3,910,300	(4,490,598)
Medical Assistance Program (P-524)	4,162,420,329	(5,143,429,382)	980,940,688	(68,365)
Income Support Program (P-525)	897,932,223	(940,569,439)	43,791,188	1,153,972
Medicaid Behavioral Health Program (P-766)	378,213,000	(479,333,000)	101,120,000	-
Behavioral Health Service (P-767)	12,734,643	(53,320,746)	40,735,287	149,184
Special and Other Appropriations:				
General Fund Z-Codes	-	-	217,400	217,400
Income Support Z-Codes	-	(593,012)	-	(593,012)
Data Processing Z-Codes	1,999,861	(3,408,544)	4,020,000	2,611,317
Medical Assistance Z-Codes	76,150,123	(94,650,123)	18,000,000	(500,000)
	<u>\$ 5,587,083,260</u>	<u>\$ (6,798,451,241)</u>	<u>\$ 1,209,715,863</u>	<u>\$ (1,652,118)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS
SUPPLEMENTARY SCHEDULE 1
YEAR ENDED JUNE 30, 2016**

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY16	
			Beginning	Ending			Contract Amount	Expended Amount
CYFD (CMHS)	Behavioral Health services for children	GSA 14-630-7903-0010	7/1/2013	6/30/2016	HSD	\$ 1,278,819	\$ 426,273	\$ 426,273
CYFD	Domestic Violence Services	GSA 14-630-7903-0006	7/1/2013	6/30/2016	HSD	\$ 238,290	\$ 79,430	\$ 79,430
Department of Health	SPE Grant - Epidemiology and Response Division (ERD)	GSA 14-630-7903-0007 A1	7/1/2013	6/30/2016	HSD	\$ 124,200	\$ 35,000	\$ 35,000
Department of Health	ERD - Youth Risk & Resiliency Survey	GSA 14-630-7903-0008 A2	7/1/2013	6/30/2016	HSD	\$ 202,500	\$ 88,500	\$ 88,500
Department of Health	Synar DB	GSA 14-630-7903-0011 A1	7/1/2013	6/30/2016	HSD	\$ 42,000	\$ 14,000	\$ 14,000
Department of Health	Turquoise Lodge Detox Services	GSA 14-630-7903-0012	7/1/2013	6/30/2016	HSD	\$ 2,147,874	\$ 715,958	\$ 715,958
Department of Health	ERD -SAPT	GSA 14-630-7903-0018	7/1/2013	6/30/2016	HSD	\$ 375,000	\$ 125,000	\$ 125,000
Department of Health	PFS 2015 SEOW - Epidemiology and Response Division (ERD)	GSA 16-630-7903-0019	1/26/2016	6/30/2020	HSD	\$ 285,000	\$ 45,000	\$ 45,000
Department of Health	Behavioral Health Institute	GSA 16-630-7903-0012	10/1/2015	6/30/2016	HSD	\$ 10,000	\$ 10,000	\$ 10,000
Department of Public Safety	SID, SYNAR Program	GSA 14-630-7903-0019 A2	7/1/2015	9/30/2018	HSD	\$ 226,000	\$ 50,000	\$ 50,000
Department of Public Safety	SID, SYNAR Program	GSA 16-630-7903-0008	7/1/2015	9/30/2018	HSD	\$ 600,000	\$ 200,000	\$ 200,000
UNM - (CASAA)	Multimedia Educational Campaign	GSA 14-630-7903-0014	7/1/2013	6/30/2016	HSD	\$ 59,400	\$ 19,800	\$ 19,800
UNM	CBHTR - Psychiatric	GSA 14-630-7903-0015 A1	7/1/2013	6/30/2016	HSD	\$ 1,726,916	\$ 794,191	\$ 794,191
UNM - CASAA FDA	FDA	GSA 14-630-7903-0013 A2	7/1/2013	6/30/2016	HSD	\$ 527,507	\$ 182,969	\$ 182,969
UNM - COSAP	Partnership for Success	GSA 16-630-7903-0014	7/1/2015	6/30/2020	HSD	\$ 3,122,845	\$ 493,081	\$ 493,081
UNM	UNM / PASRR Services	GSA 14-630-7903-0009 A2	7/1/2013	6/30/2016	HSD	\$ 708,400	\$ 219,450	\$ 219,450
UNM - Silverblatt	Psychiatric Behavioral Health Services-children adolescents	GSA 14-630-7903-0017	7/1/2013	6/30/2016	HSD	\$ 675,000	\$ 225,000	\$ 225,000
UNM - (SBIRT)	Health Sciences Center Financial Services	GSA 14-630-7903-0029 A2	8/1/2014	7/31/2018	HSD	\$ 783,486	\$ 257,158	\$ 257,158
1st Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0001 A3	7/1/2012	6/30/2016	HSD	\$ 1,323,966	\$ 335,883	\$ 335,883
2nd Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0002 A4	7/1/2012	6/30/2016	HSD	\$ 4,184,746	\$ 1,101,132	\$ 1,101,132
3rd Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0003 A4	7/1/2012	6/30/2016	HSD	\$ 1,761,200	\$ 478,565	\$ 478,565
7th Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0004 A3	7/1/2012	6/30/2016	HSD	\$ 1,210,838	\$ 307,183	\$ 307,183
9th Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0005 A3	7/1/2012	6/30/2016	HSD	\$ 2,185,854	\$ 565,851	\$ 565,851
11th Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0006 A3	7/1/2012	6/30/2016	HSD	\$ 1,341,830	\$ 340,415	\$ 340,415
13th Judicial District Court	CSED-Hearing Officer(s)	GSA 13-630-7101-0007 A3	7/1/2012	6/30/2016	HSD	\$ 1,547,360	\$ 313,120	\$ 313,120
Department of Health	Vital Records	GSA 14-630-7101-0001 A2	7/1/2013	6/30/2016	HSD	\$ 210,000	\$ 70,000	\$ 70,000
The Navajo Nation	For NN CSED	GSA 16-630-7101-0009	7/1/2015	6/30/2016	HSD	\$ 40,000	\$ 40,000	\$ 40,000
CYFD	TANF	GSA 16-630-9000-0004	7/1/2015	6/30/2016	HSD	\$ 48,627,500	\$ 48,627,500	\$ 48,627,500
CYFD	KFT	GSA 16-630-9000-0005	7/1/2015	06/30/16	HSD	\$ 900,000	\$ 900,000	\$ 900,000
Department of Health	Refugee Health Screening	GSA 16-630-9000-0003	7/1/2015	6/30/2016	HSD	\$ 265,315	\$ 265,315	\$ 265,315
Horizons of New Mexico	Document Storage	SA 15-630-9000-0001	5/13/2014	6/30/2018	HSD	\$ 2,700,000	\$ 675,000	\$ 675,000
Institute of American Indian Art-Center for Lifelong Education	SNAP-Ed	GSA 14-630-9000-0012 A1	4/1/2014	9/30/2015	HSD	\$ 206,988	\$ 16,678	\$ 16,678
Kids Cook	SNAP-Ed	12-630-9000-0025 A5	9/26/2011	9/30/2015	HSD	\$ 1,234,430	\$ 90,880	\$ 90,880
Las Cruces Public Schools	SNAP-Ed	GSA 12-630-9000-0026 A4	10/11/2011	9/30/2015	HSD	\$ 681,710	\$ 92,757	\$ 92,757
Lutheran Family Services Rocky Mountains	Refugee Social Services	GSA 13-630-9000-0025 A5	7/1/2012	6/30/2016	HSD	\$ 884,995	\$ 411,469	\$ 411,469
Lutheran Family Services Rocky Mountains	RSIP School Impact	GSA 13-630-9000-0035 A4	8/14/2013	8/14/2016	HSD	\$ 595,800	\$ 168,044	\$ 168,044
Navajo Nation	TANF		7/1/2015	6/30/2016	HSD	\$ 210,900	\$ 210,900	\$ 210,900
NM Mortgage Finance Authority - Weatherization	LIHEAP Weatherization Assistance	GSA 16-630-9000-0007	7/1/2015	06/30/16	HSD	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
NM Mortgage Finance Authority - Homeless Shelter	Homeless Support Services	GSA 16-630-9000-0006	7/1/2015	6/30/2016	HSD	\$ 1,215,700	\$ 1,215,700	\$ 1,215,700
NMSU - Regents	SNAP-Ed	GSA 12-630-9000-0027 A4	9/29/2011	09/30/15	HSD	\$ 4,137,455	\$ 399,700	\$ 399,700
Public Education Department	PreK TANF Services	GSA 16-630-9000-0010	7/1/2015	6/30/2016	HSD	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS
SUPPLEMENTARY SCHEDULE 1 (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY16 Contract Amount	Expended Amount
			Beginning	Ending				
UNM - Prevention Research Center	SNAP-Ed	GSA 14-630-9000-0015 A5	9/29/2011	09/30/15	HSD	\$ 1,391,914	\$ 249,894	\$ 249,894
Zuni Pueblo	TANF	GSA 16-630-9000-0009	7/1/2015	6/30/2016	HSD	\$ 31,000	\$ 31,000	\$ 31,000
Aging and Long Term Services Division	Title XIX	GSA-12-630-8000-0014 A2	07/01/11	06/30/16	HSD	\$ 3,049,205	\$ 600,000	\$ 600,000
CYFD	Case Management - Protective Services	JPA 95-17	06/18/94	UT	HSD	\$ 5,451,995	\$ 1,557,200	\$ 1,557,200
Department of Health	EPSDT	95 29	07/01/95	UT	HSD	\$ 475,000	\$ 475,000	\$ 475,000
Department of Health	Nurse aide Training	96 22	02/08/96	UT	HSD	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000
Department of Health	Coordinate services for non-Medicaid eligible families	JPA 96 32	07/01/94	UT	HSD	\$ 500,000	\$ 500,000	\$ 500,000
Department of Health	Home & Community Based Waiver Program	JPA 11-630-8000-0003 A4	07/01/10	6/30/2016	HSD	\$ 9,741,400	\$ 9,741,400	\$ 9,741,400
Department of Health	Admin Claiming	JPA 11-630-8000-0008	07/01/10	6/30/2016	HSD	\$ 1,382,900	\$ 1,382,900	\$ 1,382,900
Department of Health	Pre-Admission Screening and Annual Resident Review	GSA 11-630-8000-0013	07/01/10	UT	HSD	\$ 485,000	\$ 485,000	\$ 485,000
Department of Health	Family Infant Toddler Program (DOH/FIT)	GSA 13-630-8000-0027 A1	04/01/13	3/31/2018	HSD	State Match	State Match	State Match
Department of Health	Maternal Child Health Initiatives	GSA 15-630-8000-0008	07/01/14	6/30/2019	HSD	\$ 1,000,000	\$ 200,000	\$ 200,000
Department of Health	SBHC	GSA 16-630-8000-0008	07/01/15	6/30/2019	HSD	\$ 1,945,191	\$ 1,945,191	\$ 1,945,191
Disability Developmental Planning Council	Match admin costs for Babynet	GSA 09-630-8000-0095 A1	07/01/09	6/30/2017	HSD	\$ 75,000	\$ 75,000	\$ 75,000
Disability Developmental Planning Council	Guardianship	GSA 11-630-8000-0016 A4	07/01/10	6/30/2018	HSD	\$ 550,000	\$ 550,000	\$ 550,000
Department of Education	PED	GSA 16-630-8000-0002 A1	07/01/15	6/30/2019	HSD	\$ 36,000	\$ 36,000	\$ 36,000
University of New Mexico / CDD Provider Training	Provider Trainings	GSA 12-630-8000-0006 A3	07/01/11	6/30/2018	HSD	\$ 12,960,000	\$ 2,000,000	\$ 2,000,000
University of New Mexico Continuing Education	Envision	GSA 14-630-8000-0008 A1	07/01/13	6/30/2017	HSD	\$ 3,975,080	\$ 478,110	\$ 478,110
University of New Mexico	Pilot Project - Community Health Care	GSA 16-630-8000-0012	07/01/15	6/30/2016	HSD	\$ 299,950	\$ 299,950	\$ 299,950
Xerox State HealthCare LLC was ACS	MMIS Maintenance FY12 - FY16		03/12/12	12/31/2016	HSD	\$116,943,668	\$ 25,848,985	\$25,848,985
Alamogordo Public Schools	School Based Medicaid Services	GSA 13-630-8000-0100	7/1/2012	6/30/2016	HSD	\$ 663,457	\$ 249,410	\$ 249,410
Albuquerque Public Schools	School Based Medicaid Services	GSA 13-630-8000-0101 A3	7/1/2012	6/30/2016	HSD	\$ 6,445,631	\$ 1,658,940	\$ 1,658,940
Artesia Public Schools	School Based Medicaid Services	GSA 13-630-8000-0102 A1	7/1/2012	6/30/2016	HSD	\$ 329,729	\$ 60,774	\$ 60,774
Aztec Municipal School	School Based Medicaid Services	GSA 13-630-8000-0103 A2	7/1/2012	6/30/2016	HSD	\$ 370,945	\$ 88,283	\$ 88,283
Belen Consolidated	School Based Medicaid Services	GSA 13-630-8000-0104 A3	7/1/2012	6/30/2016	HSD	\$ 520,593	\$ 291,080	\$ 291,080
Bernalillo Public Schools	School Based Medicaid Services	GSA 13-630-8000-0105 A1	7/1/2012	6/30/2016	HSD	\$ 1,620,217	\$ 447,455	\$ 447,455
Bloomfield Schools	School Based Medicaid Services	GSA 13-630-8000-0106 A4	7/1/2012	6/30/2016	HSD	\$ 354,394	\$ 337,045	\$ 337,045
Carlsbad Public Schools	School Based Medicaid Services	GSA 13-630-8000-0107 A2	7/1/2012	6/30/2016	HSD	\$ 659,457	\$ 175,000	\$ 175,000
Central Consolidated School	School Based Medicaid Services	GSA 13-630-8000-0109 A1	7/1/2012	6/30/2016	HSD	\$ 1,219,996	\$ 314,118	\$ 314,118
Central Region Educational Cooperative	School Based Medicaid Services	GSA 13-630-8000-0108 A4	7/1/2012	6/30/2016	HSD	\$ 590,517	\$ 343,448	\$ 343,448
Chama Valley Independent	School Based Medicaid Services	GSA 13-630-8000-0139 A1	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 30,000	\$ 30,000
Clovis Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0110 A5	7/1/2012	6/30/2016	HSD	\$ 233,324	\$ 225,000	\$ 225,000
Cobre Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0111 A1	7/1/2012	6/30/2016	HSD	\$ 420,404	\$ 108,243	\$ 108,243
Corrales International Schools	School Based Medicaid Services	GSA 15-630-8000-0100 A1	7/1/2012	6/30/2016	HSD	\$ 60,000	\$ 30,000	\$ 30,000
Cuba Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0112 A1	7/1/2012	6/30/2016	HSD	\$ 247,296	\$ 63,672	\$ 63,672
Dulce Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0140 A2	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 39,495	\$ 39,495
Espanola Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0113 A3	7/1/2012	6/30/2016	HSD	\$ 618,241	\$ 270,000	\$ 270,000
Farmington Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0114 A1	7/1/2012	6/30/2016	HSD	\$ 824,322	\$ 212,242	\$ 212,242
Gadsden Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0115 A2	7/1/2012	6/30/2016	HSD	\$ 2,546,935	\$ 655,770	\$ 655,770
Gallup McKinley County Schools	School Based Medicaid Services	GSA 13-630-8000-0141 A3	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 270,000	\$ 270,000
Grants/Cibola County School	School Based Medicaid Services	GSA 13-630-8000-0116 A2	7/1/2012	6/30/2016	HSD	\$ 668,457	\$ 110,391	\$ 110,391
High Plains REC #3	School Based Medicaid Services	GSA 13-630-8000-0117 A1	7/1/2012	6/30/2016	HSD	\$ 865,538	\$ 139,005	\$ 139,005
Laguna Schools	School Based Medicaid Services	GSA 13-630-8000-0142 A1	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 30,000	\$ 30,000

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF JOINT POWERS AND OTHER GOVERNMENT AGREEMENTS
SUPPLEMENTARY SCHEDULE 1 (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY16	
			Beginning	Ending			Contract Amount	Expended Amount
Las Cruces Public Schools	School Based Medicaid Services	GSA 13-630-8000-0118 A2	7/1/2012	6/30/2016	HSD	\$ 2,472,965	\$ 924,012	\$ 924,012
Las Vegas City Public Schools	School Based Medicaid Services	GSA 13-630-8000-0119 A1	7/1/2012	6/30/2016	HSD	\$ 453,377	\$ 79,237	\$ 79,237
Los Lunas Public Schools	School Based Medicaid Services	GSA 13-630-8000-0120 A2	7/1/2012	6/30/2016	HSD	\$ 1,442,563	\$ 297,220	\$ 297,220
Lovington Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0121 A1	7/1/2012	6/30/2016	HSD	\$ 432,769	\$ 99,710	\$ 99,710
McCurdy Charter School	School Based Medicaid Services	GSA 13-630-8000-0154 A1	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 30,000	\$ 30,000
Media Arts Collaborative Charter School	School Based Medicaid Services	GSA 13-630-8000-0143	7/1/2012	6/30/2016	HSD	\$ 659,457	\$ 30,000	\$ 30,000
Mesa Vista Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0156 A1	11/24/2014	6/30/2016	HSD	\$ 60,000	\$ 9,065	\$ 9,065
Mission Achievement and Success Charter School	School Based Medicaid Services	GSA 13-630-8000-0153 A1	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 15,834	\$ 15,834
Mora Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0145	7/1/2012	6/30/2016	HSD	\$ 659,457	\$ 30,000	\$ 30,000
Moriarty Edgewood Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0122 A1	7/1/2012	6/30/2016	HSD	\$ 453,377	\$ 116,733	\$ 116,733
NM Sch for the Visually Impaired	School Based Medicaid Services	GSA 13-630-8000-0146 A4	7/1/2012	6/30/2016	HSD	\$ 220,000	\$ 195,329	\$ 195,329
Northwest Regional Educational Coop. #2	School Based Medicaid Services	GSA 13-630-8000-0152 A1	7/1/2012	6/30/2016	HSD	\$ 675,000	\$ 175,000	\$ 175,000
Pecos Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0147 A2	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 31,701	\$ 31,701
Pecos Valley REC # 8	School Based Medicaid Services	GSA 13-630-8000-0123 A1	7/1/2012	6/30/2016	HSD	\$ 535,809	\$ 137,957	\$ 137,957
Penasco Independent School	School Based Medicaid Services	GSA 13-630-8000-0148 A1	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 30,000	\$ 30,000
Pojoaque Valley Schools	School Based Medicaid Services	GSA 13-630-8000-0149 A2	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 90,000	\$ 90,000
Questa Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0150 A1	7/1/2012	6/30/2016	HSD	\$ 659,457	\$ 30,000	\$ 30,000
Regional Educ. # 6	School Based Medicaid Services	GSA 13-630-8000-0124 A4	7/1/2012	6/30/2016	HSD	\$ 322,121	\$ 265,469	\$ 265,469
Regional Educ. # 7	School Based Medicaid Services	GSA 13-630-8000-0125 A2	7/1/2012	6/30/2016	HSD	\$ 736,372	\$ 269,597	\$ 269,597
Regional Educ. # 9	School Based Medicaid Services	GSA 13-630-8000-0126 A1	7/1/2012	6/30/2016	HSD	\$ 556,417	\$ 143,263	\$ 143,263
Rio Gallinas School	School Based Medicaid Services	GSA 15-630-8000-0157 A1	7/1/2012	6/30/2016	HSD	\$ 60,000	\$ 378	\$ 378
Rio Rancho Public Schools	School Based Medicaid Services	GSA 13-630-8000-0128 A2	7/1/2012	6/30/2016	HSD	\$ 1,103,767	\$ 490,000	\$ 490,000
Roswell Independent Schools	School Based Medicaid Services	GSA 13-630-8000-0129 A4	7/1/2012	6/30/2016	HSD	\$ 942,552	\$ 483,017	\$ 483,017
Santa Fe Public Schools	School Based Medicaid Services	GSA 13-630-8000-0130 A2	7/1/2012	6/30/2016	HSD	\$ 453,377	\$ 457,000	\$ 457,000
Santa Rosa Consolidated	School Based Medicaid Services	GSA 13-630-8000-0151 A1	7/1/2012	6/30/2016	HSD	\$ 120,000	\$ 30,000	\$ 30,000
Silver City Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0131 A2	7/1/2012	6/30/2016	HSD	\$ 453,377	\$ 125,646	\$ 125,646
Socorro Consolidated Schools	School Based Medicaid Services	GSA 13-630-8000-0132 A2	7/1/2012	6/30/2016	HSD	\$ 267,905	\$ 125,000	\$ 125,000
Southwest Regional Educ. Center	School Based Medicaid Services	GSA 13-630-8000-0127 A4	7/1/2012	6/30/2016	HSD	\$ 1,260,482	\$ 400,000	\$ 400,000
Taos Municipal Schools	School Based Medicaid Services	GSA 13-630-8000-0134 A1	7/1/2012	6/30/2016	HSD	\$ 556,417	\$ 143,263	\$ 143,263
Tucumcari Public Schools	School Based Medicaid Services	GSA 13-630-8000-0135 A1	7/1/2012	6/30/2016	HSD	\$ 309,121	\$ 37,784	\$ 37,784
Turquoise Trail Charter School	School Based Medicaid Services	GSA 13-630-8000-0136 A1	7/1/2012	6/30/2016	HSD	\$ 123,648	\$ 31,836	\$ 31,836
West Las Vegas Schools	School Based Medicaid Services	GSA 13-630-8000-0137 A1	7/1/2012	6/30/2016	HSD	\$ 494,593	\$ 56,854	\$ 56,854
Zuni Public School Dist.	School Based Medicaid Services	GSA 13-630-8000-0138 A3	7/1/2012	6/30/2016	HSD	\$ 247,296	\$ 56,036	\$ 56,036

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND
FUND 978 – CHILD SUPPORT ENFORCEMENT
SUPPLEMENTARY SCHEDULE 2
YEAR ENDED JUNE 30, 2016**

	June 30, 2015	Additions	Deletions	June 30, 2016
ASSETS				
Interest in the State Treasurer				
General Fund Investment Pool	\$ 1,047,922	\$ 140,814,184	\$ (141,532,250)	\$ 329,856
Other Receivables, Net	425,416	216,354	(44,416)	597,354
Due from other Funds	-	173,800	-	173,800
Due from other Agencies	4,830	4,377	-	9,207
	<u>4,830</u>	<u>4,377</u>	<u>-</u>	<u>9,207</u>
Total Assets	<u>\$ 1,478,168</u>	<u>\$ 141,208,715</u>	<u>\$ (141,576,666)</u>	<u>\$ 1,110,217</u>
LIABILITIES				
Deposits Held in Trust for Others	\$ 1,052,752	\$ 140,992,361	\$ (141,532,250)	\$ 512,863
Other Liabilities	425,416	171,938	-	597,354
	<u>425,416</u>	<u>171,938</u>	<u>-</u>	<u>597,354</u>
Total Liabilities	<u>\$ 1,478,168</u>	<u>\$ 141,164,299</u>	<u>\$ (141,532,250)</u>	<u>\$ 1,110,217</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
SUPPLEMENTARY SCHEDULE 3
YEAR ENDED JUNE 30, 2016**

Description	Purpose	Appropriation Period	Original Appropriation	Prior Years' Expenditures (Unaudited)	Current Year Expenditures FY16	Amount to be Reverted	Unencumbered Appropriations
FUND 901 - DATA PROCESSING							
APPROPRIATIONS							
CSED	Laws of 2014, Chapter 63, Section 7 To implement the child support enforcement replacement system	July 2013 to June 2016	\$ 527,300	\$ 316,644	\$ 210,656	\$ -	\$ -
CSED	Laws of 2015, Chapter 101, Section 7 For the Planning Phase to enhance or replace the current child support enforcement system	July 2014 to June 2017	3,400,000	-	963,299	-	2,436,701
CSED	Laws of 2015, Chapter 101, Section 7 To redevelop and replace the Medicaid Management information system	July 2014 to June 2017	620,000	-	234,728	-	385,272
Fund 901 total			<u>\$ 4,547,300</u>	<u>\$ 316,644</u>	<u>\$ 1,408,683</u>	<u>\$ -</u>	<u>\$ 2,821,973</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF VENDOR INFORMATION FOR
PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) – UNAUDITED
SUPPLEMENTARY SCHEDULE 4
YEAR ENDED JUNE 30, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
630	New Mex	State Agencies	RFP 15-630-7903-3000	Competitive (RFP or RFB)	The Life Link	Winner	\$1,903,312.00		PO Box 6094 Santa Fe, NM	No	No	BHSD - Fiscal Agent for Behavioral Health Service	N/A
630	New Mex	State Agencies	RFP 15-630-8000-2000	Competitive (RFP or RFB)	Goodwill Industries	Winner	\$462,000.00		5000 San Mateo Blvd. NE Albuquerque, NM	No	No	MAD - Brain Injury Services	N/A
630	New Mex	State Agencies	RFP 15-630-8000-2000	Competitive (RFP or RFB)	HelpNet, LLC	Winner	\$684,110.00		Box 159 Española, NM	No	No	MAD - Brain Injury Services	N/A
630	New Mex	State Agencies	RFP 15-630-8000-3000	Competitive (RFP or RFB)	Health Management System, Inc.	Winner	\$1,396,817.63 Contingency PO is increased each time invoiced		5615 High Point Drive Irving, TX	No	No	MAD - Funds Recovery Contract Services	N/A
630	New Mex	State Agencies	RFP 50-630-14-27039	Competitive (RFP or RFB)	Deloitte	Winner	#####		150 Washington Avenue, Suite 3000 Santa Fe, NM	No	No	ITD - ASPEN IT Maintenance and Operations Services	N/A
630	New Mex	State Agencies	RFP 60-630-15-29104	Competitive (RFP or RFB)	ECHO	Winner	\$2,400,491.25		1921 E. Murraray Dr. Farmington, NM	No	No	ISD - Commodity Supplemental Food Program (CSFP)	N/A

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF VENDOR INFORMATION FOR
PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) – UNAUDITED
SUPPLEMENTARY SCHEDULE 4 (CONTINUED)
YEAR ENDED JUNE 30, 2016**

<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
New Mex	State Agencies	RFP 60-630-15-29104	Competitive (RFP or RFB)	Loaves and Fish	Winner	\$880,391.25		320 S. Gate Circle Las Cruces, NM	No	No	ISD - Commodity Supplemental Food Program (CSFP)	N/A
New Mex	State Agencies	RFP 60-630-15-29104	Competitive (RFP or RFB)	Salvation Army	Winner	\$680,498.10		612 W. College Rd. Roswell, NM	No	No	ISD - Commodity Supplemental Food Program (CSFP)	N/A
New Mex	State Agencies	RFP 60-630-15-29104	Competitive (RFP or RFB)	The Wellness Coalition	Winner	\$241,949.25		207 Shakespeare Lordsburg, NM	No	No	ISD - Commodity Supplemental Food Program (CSFP)	N/A
New Mex	State Agencies	SPA# 40-000-14-00106 AP		RiskSense Inc		\$76,500.00					ITD - Annual Comprehensive Security Evaluation of the HSD network	
New Mex	State Agencies	SPA# 40-000-14-00106		Catapult Systems		\$162,817.86					ITD - Transition data from the Medicaid Program in the BHSD data warehouse	

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Amounts Passed Through To Subrecipients	Federal Participating Expenditures
Department of Agriculture (USDA) Direct Programs				
Commodities Assurance (SAE)	10.560	12-35-3501	\$ -	\$ 806,164
Emergency Food Assistance Program (Food Commodities)	10.569	None	460,000	4,737,234
Emergency Food Assistance Program (Administrative Costs)	10.568	XNM810813	-	555,479
Commodity Supplemental Food Program	10.565	74Y8005	-	549,646
National School Lunch Program	10.555	None	-	10,821,798
Subtotal Food and Nutrition Services			460,000	17,470,321
Supplemental Nutritional Assistance Program (SNAP):				
Administration and SAVE	10.561	12-35-3501	3,446,659	28,294,592
SNAP Employment/Training Grant	10.561	12-35-3501	-	893,683
SNAP State Exchange	10.561	12-35-3501	-	9,785
SNAP Nutrition Education	10.561	12-35-3501	-	3,121,946
SNAP & EBT Distribution	10.551	58-3189-8-104	-	688,787,292
Subtotal SNAP			3,446,659	721,107,298
Total USDA			3,906,659	738,577,619
Department of Health and Human Services (DHHS)				
Administration for Children and Families Direct Programs:				
Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	65,928	24,690,402
Temporary Assistance for Needy Families (TANF)	93.558	G-XX-04-NM-TANF	67,148,392	121,891,834
Low Income Energy Assistance Program (Title XXVI)	93.568	G-XX-B1-NM-LIEA	2,100,000	16,912,803
Total Administration for Children and Families Direct Program			69,314,320	163,495,039
Family Support Administration Pass-Through Programs -				
Community Service Block Grant	93.569	01-XX-B1-NM-COSR	3,129,557	3,285,764
Administration for Children, Youth and Families Direct Programs:				
Direct Programs - Refugee Resettlement Program (CMA)	93.566	G-XX-04-NM-6100	423,204	1,004,873
Refugee Targeted Assistance	93.576	90RT0153/01	386,813	386,814
Total Administration for Children Youth and Families Direct Programs			810,017	1,391,687
Centers for Medicare & Medicaid Services:				
Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	-	4,338,319,676
Administration and Training Title XIX	93.778	05-XX-05-NM-5048	26,700,023	93,128,489
Health Information Technology Incentive Payments	93.778	05-1305NMINCT	-	8,430,820
Children's Health Insurance Program (CHIP)	93.767	05-XX-05-NM-5021	-	119,997,913
Children's Health Insurance Program Bonus	93.767	1Z0C30482/01	-	11,908
Total Centers for Medicare & Medicaid Services			26,700,023	4,559,888,806
Office of Health Care Finance Administration				
Title XIX Certification	93.777	05-XX-055-NM-5001	1,940,467	1,722,124
Health Resources and Services Administration (HRSA)				
Traumatic Brain Injury (TBI)	93.234	H21MC26925	-	275,130
Substance Abuse and Mental Health Services Administration				
Center for Mental Health Services (CMHS):				
CCBHC Planning Grants	93.829	1H79SM062946-01	-	587,690
Community Mental Health Services Block Grant	93.958	2B09SM010037-11S4	1,923,756	705,493
Programs for Assistance in Transition from Homelessness	93.150	2X06SM060032-11	337,217	299,995
Housing Health & Recovery for Homeless Individuals	93.243	5H79TI026053-02	-	1,272,117
Mental Health Transformation Supportive Housing Program	93.243	5H79SM060122-04	-	164,298
NM Suicide Prevention	93.764	1H79SM06085-01	-	476,905
Subtotal Mental Health Services			2,260,973	3,506,498

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Amounts Passed Through To Subrecipients	Federal Participating Expenditures
Center for Substance Abuse Treatment (CSAT)				
Substance Abuse Prevention and Treatment	93.959	2B08T1010037-11S2	\$ 10,704,453	\$ 5,488,308
State Epidemiological Outcomes Workgroups (SEOWs)	93.243	1U79SP019429-01	45,000	1,652,176
Screening , Brief Intervention and Referral for Treatment	93.243	1U79TI025087-01	-	1,596,495
Subtotal Substance Abuse Treatment			<u>10,749,453</u>	<u>8,736,979</u>
Food & Drug Administration - Center for Tobacco Products	93.XXX	HHSF223201110167C	-	<u>293,264</u>
Total DHHS			114,904,810	4,742,595,291
Total Federal Assistance			<u>\$ 118,811,469</u>	<u>\$ 5,481,172,910</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Department has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Reconciliation of Federal Awards

Federal Grant Revenue, per Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 5,481,029,890
Write-off of Liabilities Related to Prior Year's Federal Expenditures	<u>143,020</u>
Federal Grant Revenue, per Statement of Expenditures of Federal Awards	<u><u>\$ 5,481,172,910</u></u>

**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**

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico Human Services Department (the Department) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the Department's Fiduciary Fund and combining and individual funds and related budgetary comparisons of the Department presented as supplementary information, and have issued our report thereon dated December 1, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-002.

Department's Response to Finding

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 1, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited New Mexico Human Services Department (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2016. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-003, 2016-004, 2016-005, 2016-006 and 2016-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-003, 2016-004, 2016-005, 2016-006 and 2016-007, that we consider to be significant deficiencies.

Mr. Brent Earnest, Cabinet Secretary
New Mexico Human Services Department and
Mr. Timothy Keller
New Mexico State Auditor

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

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

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 1, 2016

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings, disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

Identification of major programs:

CFDA

Number(s)	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families Cluster (TANF)
93.777/93.778	Medical Assistance Payments, Administration, Training, Outreach and Enrollment, Program Bonus and Title XIX Certification
10.551/10.561	Supplemental Nutrition Assistance Program Cluster
93.568	Low-Income Home Energy Assistance
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs \$16,443,519

Auditee qualified as low-risk auditee? yes no

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2016.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2016-001 Eligibility (Significant Deficiency and Instance of Non-Compliance)

Federal Program: Low Income Home Energy Assistance Program (LIHEAP)

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Eligibility

Questioned Costs: \$180

Condition: Out of 40 samples tested, we noted the following:

- One payment was made for \$120; when based on NM LIHEAP Income/Points Guide calculations, the payment should have been \$90.
- The Department made another payment of \$150 to an individual whose income was above the threshold for LIHEAP benefits.

Criteria: Per NMAC 8.150.620.9.A. policy, LIHEAP benefit points “are assigned based on the energy burden at the household’s current residence for households that have a direct cost for heating or cooling expenses”. For full point break down see NMAC 8.150.620.9.

Cause: It was determined that the cause of these issues is due to a rounding issue in ASPEN miscalculating and case worker error. The Department’s monitoring controls over eligibility failed to prevent or detect these errors.

Effect: Certain households received improper benefits in excess of what is allowable by law.

Recommendation: We recommend that the Department employees assigned to monitor eligibility compliance incorporate a consideration of household size in relation to benefits into their review procedures. On an information system level, we recommend the Department make the necessary changes in order to prevent such errors going forward.

Managements’ Response: Management agrees with the finding. Systematic changes to ASPEN to correct the rounding issue have been addressed by placing a help desk ticket (CI#177870) and providing all staff LIHEAP training emphasizing point calculation.

Additionally, a GI memo to all field staff has been sent to inform staff that all LIHEAP training is mandatory and will be available on Blackboard eLearning Portal Trainings at <https://hsd.blackboard.com/webapps/portal/frameset.jsp> as of October 1, 2016, to include accurate point calculation

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2016-003 (Original Finding 2014-006) Non-Cooperation with Child Support Enforcement Division (Significant Deficiency and Instance of Non-Compliance)

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

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Special Tests and Provisions

Questioned Costs: \$24,050

Condition: Out of the 40 individuals tested for compliance with the Child Support Enforcement Division's (CSED) sanction requirements, 13 did not have the appropriate level of sanctions applied to their benefits, resulting in \$24,050 of known questioned costs.

Management's Progress for Repeat Findings: In response to the prior year's finding, management implemented certain processes to address this deficiency, however it has been determined that additional ASPEN eligibility system fixes are necessary in order to reduce the risk of noncompliance.

Criteria: Per the 2016 compliance supplement for this program, if state agencies determine that an individual is not cooperating with the State in regards to child support orders, that individual must receive progressive levels of sanctions, up to and including refusal of benefits.

Cause: It was determined that during fiscal years 2014, 2015, and 2016, there was an error in the interface between the newly-implemented eligibility system and the Child Support Enforcement system. Effect: The Department was unable to effectively apply the sanctions, resulting in known amounts of questioned costs of \$24,050.

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

Management's Response: CSED and Income Support Division (ISD) have begun a monthly review of TANF cases that are not complying with CSED. In addition IBP 106 was issued to stop field staff from editing sanction information in ASPEN. All CSED sanctions that are not correctly processed by ASPEN will be worked by the ASPEN help desk. CR 2438 CSED Non Coop Details & CR 1473 TANF Sanctions are scheduled for release 3.2 with a tentative go live date of Sunday March 5, 2017.

The Cash Assistance Program Manager will be responsible for monitoring the Department's progress on responding to this finding.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2016-004 (Original Findings 2015-003 & 2015-004) Processes and Controls Over Eligibility (Significant Deficiency and Instance of Non-Compliance)

Federal Program: Temporary Assistance for Needy Families (TANF), 93.558, Medicaid, 93.777 & 93.778, LIHEAP, 93.568, and SNAP, 10.551 & 10.561

Federal Agency: Department of Health and Human Services And United States Department of Agriculture

Applicable Compliance Requirement: Eligibility

Questioned Costs: None

Condition: For each program, instances were identified where there was no evidence in the ASPEN eligibility system that the required government database scans were taking place through either initial intake or recertification procedures.

- TANF - Out of 40 cases tested, four such instances were identified.
- Medicaid - Out of 40 cases tested, one such instance was identified.
- LIHEAP - Out of 40 cases tested, ten such instances were identified.
- SNAP - Out of 22 cases tested, seven such instances were identified.

Management's Progress for Repeat Findings: Although the scans were not documented in the case notes, SQL histories show that the scans were ran. Management is continuously training employees to ensure they are following internal procedures.

Criteria: Per the eligibility requirements of the OMB compliance supplement specific to this program, there are a number of criteria that must be met in order for a family to receive TANF assistance. The ASPEN system was implemented in order to address these complex requirements. The Department's review and performance of certain checks on applicants' or participants' information is critical to maintaining the integrity of the process. These reviews and scans should be documented in the ASPEN system as they occur, through case notes.

Cause: The Department employees assigned to perform intake or recertification reviews either did not perform the required monitoring procedures, or failed to document in the case files the outcomes of such reviews.

Effect: For the identified cases, the required government database checks were not documented, and therefore their eligibility is questionable.

Recommendation: We recommend that the Department continue its efforts to train employees assigned to perform intake and recertification procedures on the required documentation procedures necessary to achieve compliance with eligibility requirements, both upon intake and at recertification.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2016-004 (Original Findings 2015-003 & 2015-004) Processes and Controls Over Eligibility (Significant Deficiency and Instance of Non-Compliance), continued

Management's Response: Management is continuously training employees to ensure they are following internal procedures. Training is conducted upon hire and periodically thereafter. Additionally training is provided upon manager case reviews. The Policy & Program Development Bureau has begun a monthly TANF desk audit review to identify offices in need of additional training. The Deputy Director over field operations will be responsible for monitoring the Department's response to this finding, beginning immediately.

Finding 2016-005 Internal Controls over Federal Program Identification (Significant Deficiency)

Federal Program: National School Lunch Program (NSLP), 10.555

Federal Agency: United States Department of Agriculture

Condition: During the audit, the Department identified that the commodities received from USDA were from two separate programs, Temporary Food Assistance Program (TEFAP), 10.569, and National School Lunch Program (NSLP), 10.555. The commodities were previously misidentified as solely TEFAP funding.

Criteria: Per 2 CFR 200.303, "The non-Federal entity must: (a) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Cause: The Department previously consolidated the commodities reporting for accounting purposes and did not split the amounts between the two programs.

Effect: The Department could be misreporting federal expenditure reporting.

Recommendation: We recommend the Department implement a procedure to ensure that all grant awards are recorded and reported accurately.

Management's Response: The Department confirms the accounting for commodities was not recorded in SHARE separately between the commodity and NSLP programs. The program administrators supported the integrity of the federal programs by maintaining the separation of the commodity and NSLP programs by reporting the federal expenditures, and filing the federal reports separately in accordance with the federal statutes, regulations, terms and conditions of the federal grant of award.

The Department has corrected and has separated the accounting entries for the commodities and NSLP programs effective immediately in fiscal year 2017. The expenditures for these programs will be monitored and verified between program administrators and the accounting staff to ensure correct recording and reporting of the federal expenditures in SHARE.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2016-006 Long Term Care Audits (Significant Deficiency and Instance of Non-Compliance)

Federal Program: Medicaid Cluster, 93.777 & 93.778

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Special Requirements

Condition: During the review of the long-term care audits completed during fiscal year 2016, the following items were noted:

- Out of the 37 hospitals' audit reports received, 28 were for periods ending in 2012 and 2013.
- Out of the 75 nursing facilities' audit reports received, 75 were for periods ending in 2010, 2011, and 2012.
- No Intermediate Care Facility audits have been completed since 2014.

Criteria: Per 42 CFR section 447.253, "In order to receive CMS approval of a State plan change in payment methods and standards, the Medicaid agency must make assurances satisfactory to CMS that the requirements set forth in paragraphs (b) through (i) of this section are being met,...(g) Audit requirements. The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers."

Cause: The Department did not have a contract in place with the audit agent for two years. During this time, the cost reports that were submitted were not audited, creating a backlog, which the department and the audit agent are working to clear.

Effect: Provider cost reports could have misstatements that will not be detected until the audit is completed.

Recommendation: We recommend that the department implement a plan to clear the backlog to ensure compliance in the future.

Management's Response: We recognize a backlog of cost reports occurred. The Staff Manager of the Financial Management Bureau will be responsible for overseeing the Department's response to this finding. Since Human Services Department and its audit agent recognized the backlog occurred, a diligent and strict work plan was put in place in order to ensure that these cost reports will be substantially completed before June 30, 2017. The Staff Manager of the Financial Management Bureau is responsible for overseeing the Department's current and future compliance. The staff from Financial Management Bureau works monthly with the audit agent to insure that all cost reports are submitted timely and works with providers to authorize extensions, if needed. Monthly meetings will track the success of our monitoring.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2016-007 Periodic Reviews of ASPEN User Access (Significant Deficiency and Instance of Non-Compliance)

Federal Program: SNAP, 10.551/10.561

Federal Agency: United States Department of Agriculture

Applicable Compliance Requirement: Special Tests and Provisions

Condition: It was noted that the Department is not performing periodic ASPEN (SNAP's eligibility system) user access reviews. While the Department is performing a review of terminated users' access rights every two months, this review does not include a consideration of the access rights and privileges of exiting users, to consider whether duties are properly segregated based on employees' job titles and assignments.

Criteria: Per the OMB Compliance Supplement for SNAP, states are required to have a system for monitoring and improving their administration of SNAP. This performance monitoring includes quality control reviews, which should include consideration of users' privileges and access to the eligibility systems.

Cause: The Department has not implemented a procedure through which current users' access rights are evaluated.

Effect: Without such a process in place, there is a risk that ASPEN users may have inappropriate access to certain modules within the information system.

Recommendation: We recommend that such reviews be incorporated into the bimonthly reviews currently taking place for terminated users.

Management's Response: Management agrees with the finding. Under the supervision of Mike Ricklin, IT Business Security Analyst in the Information Technology Division, this process will begin to be implemented in the 2nd quarter of the 2017 fiscal year.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION IV – OTHER

Finding 2016-002 Noncompliance with Notification Requirements for Disposals of Capital Assets (Compliance and Other Matters)

Condition: During June 2016, the Department identified 10 capital assets that were disposed of prior to submitting the required notification to the Office of the State Auditor of New Mexico. Eight of the assets were disposed in October of 2015. Two of the assets were disposed in December 2014.

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

Cause: The Department disposed of the asset without the required pre-notification. Three of the ten assets were improperly identified as non-capital assets, which do not require notification prior to disposal. Six of the ten assets were disposed of with incomplete documentation. The remaining asset could not be found during physical inventory.

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

Recommendation: We recommend that in the future, the Department provide training regarding the disposal process to ensure the proper steps are completed prior to disposal.

Management's Response: The Production Support and System Administration Bureau Chiefs, Michael Kennedy and Sean Curry respectively, arranged for Nancy Takacs, HSD's Fixed Asset Coordinator, conducted trainings on November 16, 2016 and November 22, 2016. These Bureau Chiefs will be responsible for coordinating annual training annually going forward.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

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

Condition: During test work over federal accounts receivable, we discovered that receipts applied to certain balances were not being reconciled to the projects in a timely manner. This resulted in collections on accounts receivable, at the project level, appearing to be greater than the project-level accounts receivable balance at June 30, 2015. However, at the fund level receipts applied to receivable balances did not exceed the recorded balances at June 30, 2015.

2014-008 Interagency Transactions (Significant Deficiency) - Resolved

Condition: During the audit, it was identified that the Department is not recording interagency transactions in a consistent manner with other state agencies. As a result of these inconsistencies, an audit entry was required the amount of \$1,086,596 to increase the amounts due to other agencies.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001 (Original Finding 2014-006) Non-cooperation with Child Support Enforcement Division (Significant Deficiency and Instance of Non-Compliance) – Repeated and Modified

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

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Special Tests and Provisions

Questioned Costs: \$3,298

Condition: Out of the 40 individuals tested for compliance with the Child Support Enforcement Division's sanction requirements, 14 did not have the appropriate level of sanctions applied to their benefits, resulting in \$3,298 of known questioned costs.

Finding 2015-002 Household Size and Eligibility (Significant Deficiency and Instance of Non-Compliance) - Resolved

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

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Eligibility

Questioned Costs: \$686

Condition: Out of the 40 individuals and households tested for eligibility, one household, consisting of ten individuals, was found to have received nine monthly payments of \$14 more than what is allowable. After consideration of the other similar-sized (more than nine) households, it was determined that \$560 in inappropriate payments were made to households outside of the one sampled.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2015-003 Processes and Controls Over Eligibility (Significant Deficiency and Instance of Non-Compliance) – Repeated and Modified

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

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Eligibility

Questioned Costs: None

Condition: Out of 40 individuals and households tested for eligibility, in three instances there was no evidence in the ASPEN eligibility system that the required government database scans were taking place through either initial intake or recertification procedures.

Finding 2015-004 Processes and Controls Over Eligibility (Significant Deficiency and Instance of Non-Compliance) – Repeated and Modified

Federal Program: Medicaid Cluster, 93.777/93.778

Federal Agency: Department of Health and Human Services

Applicable Compliance Requirement: Eligibility

Questioned Costs: None

Condition: Out of 40 individuals and households tested for eligibility, in seven instances there was no evidence in the ASPEN eligibility system that the required government database scans were taking place through either initial intake or recertification procedures.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2016**

An exit conference was held with the Department on November 30, 2016. The conference was held at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT

Brent Earnest, Secretary
Sean Pearson, Deputy Secretary
Mike Nelson, Deputy Secretary
Chris Collins, General Counsel
Danny Sandoval, ASD Director, Administrative Services
Joyce Sandoval, ASD Deputy Director, Administrative Services
Carolee Graham, ASD Deputy Director, Administrative Services
Jeanette Lujan, ASD Accounting Bureau Chief
Marilyn Martinez, Manager
Shilo Stewart, Acting CIO
Daniel Valdez, ITP CISO

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal
Ryan Jones, CPA, Engagement Director
Andres Gamez, CPA, Senior Associate

NEW MEXICO OFFICE OF THE STATE AUDITOR

Sarita Nair, General Counsel
Guadalupe Jaramillo, Staff Auditor

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.