

**STATE OF NEW MEXICO  
HUMAN SERVICES DEPARTMENT**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
OFFICIAL ROSTER  
YEAR ENDED JUNE 30, 2018**

<b>Name</b>	<b>Title</b>
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
Mary Brogdon	Director, Income Support 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
Nancy Smith-Leslie	Director, Medical Assistance Division
Linda Gonzales	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
Charles Mondragon	Human Resources Director

## INDEPENDENT AUDITORS' REPORT

Mr. Brent Earnest, Cabinet Secretary  
New Mexico Human Services Department and  
Mr. Wayne Johnson, New Mexico State Auditor  
Santa Fe, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the major fund budgetary comparison schedules of the New Mexico Human Services Department (the Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements 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 misstatement, 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. Wayne Johnson, 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, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position and the major fund budgetary comparison schedules of the Department 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 respective major fund 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, 2018, 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 5-13 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of changes in assets and liabilities—agency fund, and the budgetary comparison schedules at the appropriation level are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of joint powers agreements and schedule of special appropriations, as required by 2.2.2 NMAC, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Mr. Brent Earnest, Cabinet Secretary  
New Mexico Human Services Department and  
Mr. Wayne Johnson, New Mexico State Auditor

The combining and individual nonmajor fund financial statements, the schedule of changes in assets and liabilities—agency fund, the budgetary comparison schedules at the appropriation level, the schedule of joint powers agreements, the schedule of special appropriations (except prior years' expenditures), and the schedule of expenditures of federal awards 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of special appropriations (prior years' expenditures only) has 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 it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, 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 solely 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 effectiveness of the Department's 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  
November 1, 2018

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

## **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, 2018. 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. Budgetary comparison statements, and
4. Notes to financial 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, 2018. 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 position legally limited to a particular use is reported as restricted. Unrestricted net position 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 2018 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, 2018**

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 major funds and summary non-major 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 major 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. Also included, are the budgetary comparison statements at the appropriation level in the supplementary information.

**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, 2018**

**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, detail of special appropriations, 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 2016 through 2018. Management has not attempted to recast this information, except as adjusted in preparation of the fiscal year 2018 financial statements and information.

At the end of Fiscal Year 2018, 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, 2018, with comparative balances for the fiscal years ended June 30, 2017 and June 30, 2016.

**Table 1 – Net Position**

	Governmental Activities <u>FY2018</u>	Governmental Activities <u>FY2017</u>	Governmental Activities <u>FY2016</u>	Increase (Decrease) 2017 to 2018	% Change
<b>Assets:</b>					
Current Assets	\$ 528,559,555	\$ 299,619,851	\$ 314,559,412	\$ 228,939,704	76%
Non-Current Assets	83,086,093	87,767,447	93,959,268	(4,681,354)	-5%
Total Assets	<u>\$ 611,645,648</u>	<u>\$ 387,387,298</u>	<u>\$ 408,518,680</u>	<u>\$ 224,258,350</u>	58%
<b>Liabilities:</b>					
Current Liabilities	\$ 518,646,377	\$ 292,281,363	\$ 308,405,834	\$ 226,365,014	77%
Total Liabilities	<u>518,646,377</u>	<u>292,281,363</u>	<u>308,405,834</u>	<u>226,365,014</u>	
<b>Net Position:</b>					
Net Investment in					
Capital Assets	83,086,093	87,767,447	93,959,268	(4,681,354)	-5%
Restricted	623,182	512,322	3,187,001	110,860	22%
Unrestricted	9,289,996	6,826,166	2,966,577	2,463,830	36%
Total Net Position	<u>92,999,271</u>	<u>95,105,935</u>	<u>100,112,846</u>	<u>(2,106,664)</u>	-2%
Total Liabilities and Net Position	<u>\$ 611,645,648</u>	<u>\$ 387,387,298</u>	<u>\$ 408,518,680</u>	<u>\$ 224,258,350</u>	58%

The Department's net investment in capital assets totaled \$83,086,093 at June 30, 2018. The decrease from 2017 is mostly due to depreciation expense of \$6,068,967.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The net position of the Department is consistent with that of 2017, the only major change being the depreciation expense and the impact on noncurrent assets. The current assets and liabilities both increased due to an increased healthcare payable and related federal receivable. At June 30, 2018, net position was \$93 million.

**Table 2 – Changes in Net Position**

Table 2 presents the detail changes in net position from 2016 to 2018. Net position decreased by \$2,106,664 in 2018, resulting in net position at June 30 of \$93 million.

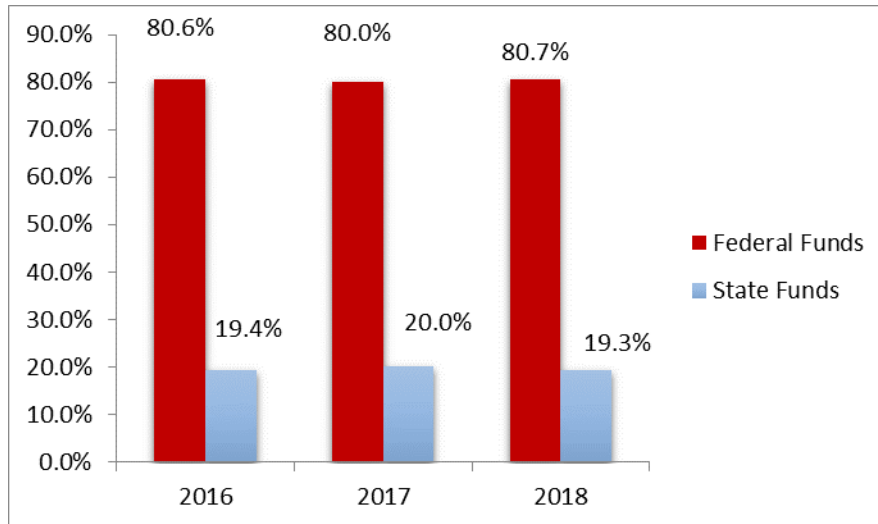
	Governmental Activities <u>FY2018</u>	Governmental Activities <u>FY2017</u>	Governmental Activities <u>FY2016</u>	Increase (Decrease) 2017 to 2018	% Change
<b>Revenues:</b>					
Program Revenues:					
Charges for Services	\$ 67,176,156	\$ 59,433,715	\$ 106,053,370	\$ 7,742,441	13%
Federal Funds	<u>5,479,083,607</u>	<u>5,236,602,437</u>	<u>5,481,029,890</u>	242,481,170	5%
Total Program Revenues	5,546,259,763	5,296,036,152	5,587,083,260	250,223,611	5%
<b>General Revenues and Special Items:</b>					
State Appropriation, Net Transfers from Other	1,034,129,600	1,032,479,300	1,036,499,100	1,650,300	0%
State Agencies	<u>213,008,981</u>	<u>216,686,832</u>	<u>178,418,869</u>	<u>(3,677,851)</u>	-2%
Total Revenues	6,793,398,344	6,545,202,284	6,802,001,229	248,196,060	4%
<b>Expenses and Transfers Out</b>					
Healthcare Services	5,615,221,431	5,355,391,361	5,643,255,813	259,830,070	5%
Financial Assistance	825,222,239	861,668,891	860,083,658	(36,446,652)	-4%
General Government	<u>355,061,338</u>	<u>333,148,943</u>	<u>306,448,002</u>	<u>21,912,395</u>	7%
Total Expenses and Transfers	<u>6,795,505,008</u>	<u>6,550,209,195</u>	<u>6,809,787,473</u>	<u>245,295,813</u>	4%
Increase (Decrease) in Net Position	(2,106,664)	(5,006,911)	(7,786,244)	2,900,247	-58%
Net Position - Beginning of Year	<u>95,105,935</u>	<u>100,112,846</u>	<u>107,899,090</u>	<u>(5,006,911)</u>	-5%
Net Position - End of Year	<u>\$ 92,999,271</u>	<u>\$ 95,105,935</u>	<u>\$ 100,112,846</u>	<u>\$ (2,106,664)</u>	-2%

Table 2 reflects 5% reduction in program revenues. Charges for services increased in 2018 as a result of fluctuations in drug rebate amounts invoiced to managed care organizations and federal funds increased as a result of the change in the Medicaid Federal Financial Participation.

Healthcare services expenditures decreased by 5% due to overall Medicaid enrollment shifts. General government expenditures increased by 4%, primarily due to the general fund reversion.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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 2018 increased to 80.7%, primarily due to the changes in the FFP. The remaining 19.3% of state funds were comprised of State general revenue appropriations, reimbursements from other state agencies, miscellaneous revenues, and transfers.

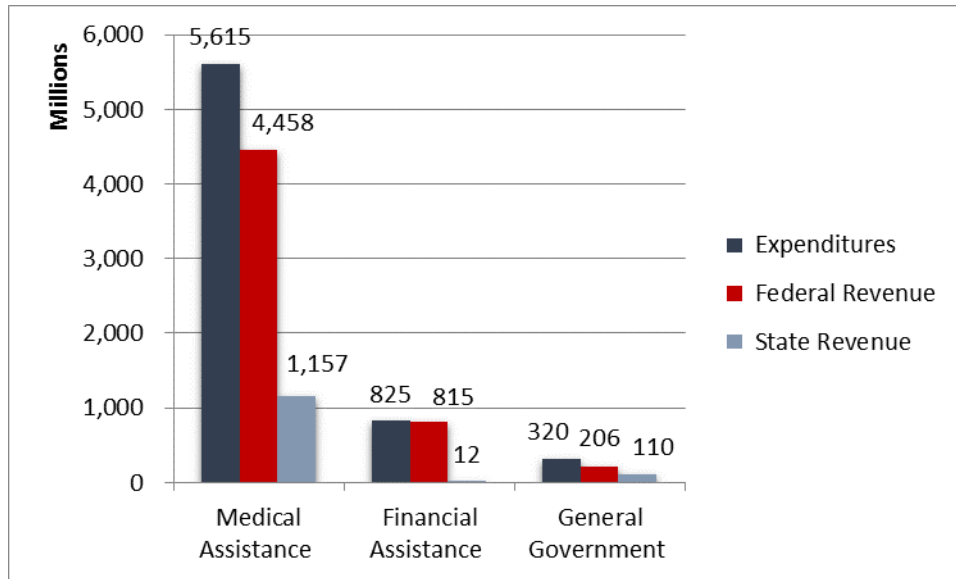
The Department must have approval of the federal awarding agencies CMS and USDA for the maintenance and operations of ASPEN and the cost of eligibility staff using ASPEN. Proposed allocation methods and estimated budgetary amounts are submitted to CMS and USDA on an annual basis and updated as-needed. The detail amounts of grant funded expenditures can be seen in the Schedule of Expenditures of Federal Awards (SEFA) on pages 63 and 64.

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 2018.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Figure 2 – Total Expenses and Revenues**



The total costs of all the Department's governmental activities this year was \$6,760,635,136. Of these total costs, 83% were for medical assistance services provided to eligible residents of the state, primarily under the Medicaid program, of which 81.1% was financed by federal grants, and general revenues and charges for services funded 18.9%. 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 \$825,222,239 or 12% of total costs pertains to financial assistance provided to eligible residents; 99% of these costs were funded by federal grants. The remaining 1% was financed with state funds.

The overall increase in expenses from 2017 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 seven increases totaling \$22,898,172. These increases will be further discussed by Program Code.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

In P522 there was one budget adjustments processed to increase federal funds. That adjustment was to increase federal funds by \$1,177,598 to align with the amount projected to be earned in SFY18.

In P524, one budget adjustments was processed. The adjustment totaling \$3,018,300 was from federal Title XIX funds to allow for funds transfer to the Department of Health. It is important to note that other agencies certify the match for the federal funds and HSD as the single Medicaid Agency draws and transfers the federal funds to those agencies.

In P525, three increases were processed totaling \$13,094,989. Two of the increases totaling \$9,428,011 were from federal funds. One of the increases totaling \$3,666,978 was a from fund balance, specifically SNAP Bonus of \$1,116,855 which the Department had assigned as fund balance in a prior period. This increase also contained federal matching funds of \$2,550,123. A federal fund increase was processed to budget \$781,211 from restitutions recoveries collected above the base budget. The third federal adjustment was to align federal funds earned under the federally approved cost allocation plan with the projected earn rate totaling \$8,646,800. The Department implemented a new cost allocation plan which significantly increased the federal match in P525.

In P767, there were two increases processed totaling \$5,607,285. The increases were to budget federal funds that were not part of the beginning operating budget. Those increases include \$4,792,551 for an Opioid State Targeted Response Grant. A second increase was processed for \$814,734 for that same grant for the new grant period.

In Fund 974 (Income Support), there was one budget increase of \$2,000,000 from federal funds for the LIHEAP Program. The LIHEAP Program has carryover funds which the program is using to make some modifications and upgrades to the ASPEN system to support the program.

In Fund 975 (Income Support) there was one adjustment processed totaling \$1,078,931. This adjustment was to increase the budget revenue from SSIAR carryover funds which are reimbursements to the Department from the Social Security Administration. The Department has authority in law to retain recoveries from the Social Security Administration for persons who were served in the General Assistance Program. These funds go back into the General Assistance program to allow the program to serve more clients.

In Fund 976 (Medical Assistance), there was one adjustment increase processed totaling \$2,718,000 for Drug Rebate Revenue to recognize and budget revenues which were higher than anticipated. In this fund there was also one adjustment processed which transferred GF from P524 to P766 (Medicaid Program to Medicaid Behavioral Health) to align the general fund with projected expenditures

In Fund 20520 (Traumatic Brain Injury), there was one adjustment increase processed totaling \$470,500 to recognize and budget revenues which were higher than anticipated.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Special Appropriations that were Processed in FY2018.**

Fund 901 (Data Processing Appropriations). There were no additional appropriations processed in 2018. These appropriations are two-year appropriations and the balances from 2017 were sufficient to continue the projects. There was one budget increase processed to increase federal funds for the Department of Health. They received a General Fund appropriation which will allow them to match federal funds as part of the MMISR project.

**Results of Fiscal Year Fund Activity**

In Fund 052, the ending fund balance of \$6,401,633 has several components. \$65,333 is inventory and prepaid items, \$623,186 reflects the DASIS funding that is restricted for subsequent fiscal year expenditures, \$3,966,263 is Child Support Incentive Funds earned by the Department which will be used to support the Child Support IT system replacement, \$900,000 is three General Fund Appropriations to HSD for FY18 and FY19. These appropriations include \$300,000 for Residential Substance Abuse Disorder Treatment, \$500,000 for Prison Recidivism Reduction Program and \$100,000 for Behavioral Health Homeless Prevention. Ending fund balance also includes \$816,855 SNAP Bonus funds budgeted in ISD in FY18 which were not expended.

In Fund 20520, assets exceeded liabilities by \$280,793, 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 \$4,324,190, which reflects the balances in the IT appropriations which have not yet expired. Of this amount, \$2,290,976 is for the Child Support replacement system and \$2,033,212 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 \$2,507,053. \$2,132,056 the SSIAR balances authorized to be retained and rolled forward to SFY18 for the General Assistance Program. \$375,000 is a General Fund appropriation for FY18 and FY19 for Food Banks.

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, 2018 amounted to \$83,086,093, 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 5.0%.

Accumulated depreciation at June 30, 2018 was \$34,159,519. 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.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Debt** At June 30, 2018, the Department had no long-term debt resulting from borrowing.

**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. The Department has evaluated what is working and areas for improvement and included them in the waiver request that was submitted to CMS in December of 2017. The Department's submission focused on key issues for renewal, including input obtained from stakeholders. Approval is expected in the fall of 2018.

**Medicaid Expansion**

The Department budget request for 2020 was over \$7.143 billion, an overall increase of 3.85% from 2019. The FY 2020 request from the general fund is \$1.128 billion. This is an increase of \$74.7 million from the FY 2019 appropriation – a 7.13% increase. The Medicaid Program is projecting an increase of \$71.1 million need from the general fund, representing 95.1% of the increase for FY 2020. There are many factors affecting the Medicaid program. The expansion population continues to grow and is expected to reach 254,000 in FY2018 and is projected to continue grow in FY2019 and FY2020. In FY 2019 the federal match will drop to 94% on January 2018 (half of FY 2018) and again in FY 2019, the federal match steps down to 93% on January 2019. In FY 2020, the federal match steps down to 90% on January 2020. Also, the FMAP reduction from 100% to 72.13% for the CHIP population is coming. The Department in 2019 and in the coming years will continue 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  
JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 25,250
Investment in State General Fund Investment Pool	78,821,966
	78,847,216
Receivables:	
Federal Grants, Net of Allowance of \$2,122,882	404,794,614
Accounts Receivable, Net of Allowance of \$589,094	38,134,658
Due from Other State Agencies	6,495,700
Net Receivables	449,424,972
Supplies and Commodities Inventory	287,367
Total Current Assets	528,559,555
<b>NON-CURRENT ASSETS</b>	
Capital Assets, Net	83,086,093
Total Assets	\$ 611,645,648
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 39,988,600
Accrued Payroll	3,963,598
Healthcare Services Payable	416,082,923
Due to State General Fund	32,029
Compensated Absences	3,600,491
Other Liabilities	8,550,542
Due to Other State Agencies	183,754
Unearned Revenue	416,323
Due to Other Component Units of the State	1,570,712
Due to Federal Government	44,257,405
Total Liabilities	518,646,377
<b>NET POSITION</b>	
Net Investment in Capital Assets	83,086,093
Restricted for Special Programs	623,182
Unrestricted	9,289,996
Total Net Position	92,999,271
Total Liabilities and Net Position	\$ 611,645,648

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants	
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
Healthcare Services	\$ 5,615,221,431	\$ 62,844,754	\$ 4,458,058,557	\$ (1,094,318,120)
Financial Assistance	825,222,239	57,110	814,626,237	(10,538,892)
General Government	<u>320,191,466</u>	<u>4,274,292</u>	<u>206,398,813</u>	<u>(109,518,361)</u>
Total Governmental Activities	<u>\$ 6,760,635,136</u>	<u>\$ 67,176,156</u>	<u>\$ 5,479,083,607</u>	(1,214,375,373)
General Revenues and Transfers:				
State General Fund Appropriations				1,034,129,600
Reversion of State General Fund Appropriations				(34,869,872)
Transfers In				<u>213,008,981</u>
Total General Revenues and Transfers				<u>1,212,268,709</u>
<b>CHANGE IN NET POSITION</b>				(2,106,664)
Net Position - Beginning of Year				<u>95,105,935</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 92,999,271</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	Major Funds		
	05200	97500	97600
	General Fund	Income Support N Warrants	Medical Assistance
<b>ASSETS</b>			
Cash	\$ 250	\$ -	\$ 25,000
Investment in State General Fund			
Investment Pool	6,263,518	1,389,848	66,849,753
Federal Grants Receivable, Net	34,153,774	5,393,261	358,936,933
Accounts Receivable, Net	125,083	979	38,008,596
Due from Other State Agencies	-	-	6,495,700
Supplies and Commodities Inventory	65,333	222,034	-
	<u>40,607,958</u>	<u>7,006,122</u>	<u>470,315,982</u>
Total Assets	<u>\$ 40,607,958</u>	<u>\$ 7,006,122</u>	<u>\$ 470,315,982</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 25,276,529	\$ 2,568,991	\$ 6,556,733
Accrued Payroll	3,963,598	-	-
Healthcare Services Payable	-	-	416,082,923
Due to State General Fund	14,359	17,143	-
Other Liabilities	297,311	1,170,176	7,083,055
Due to Other State Agencies	31,957	151,797	-
Due to Other Component Units of the State	1,262,669	308,043	-
Due to Federal Government	3,165,613	60,885	40,593,271
Unearned Revenue	194,289	222,034	-
	<u>34,206,325</u>	<u>4,499,069</u>	<u>470,315,982</u>
Total Liabilities	<u>34,206,325</u>	<u>4,499,069</u>	<u>470,315,982</u>
<b>FUND BALANCES</b>			
Nonspendable - Inventory	65,333	-	-
Restricted	623,182	-	-
Committed	900,000	2,507,053	-
Assigned	4,813,118	-	-
	<u>6,401,633</u>	<u>2,507,053</u>	<u>-</u>
Total Fund Balances	<u>6,401,633</u>	<u>2,507,053</u>	<u>-</u>
	<u>\$ 40,607,958</u>	<u>\$ 7,006,122</u>	<u>\$ 470,315,982</u>
Total Liabilities and Fund Balances	<u>\$ 40,607,958</u>	<u>\$ 7,006,122</u>	<u>\$ 470,315,982</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2018**

Total Non Major Funds	Total Governmental Funds
\$ -	\$ 25,250
4,318,847	78,821,966
6,310,646	404,794,614
-	38,134,658
-	6,495,700
-	287,367
<u>\$ 10,629,493</u>	<u>\$ 528,559,555</u>
\$ 5,586,347	\$ 39,988,600
-	3,963,598
-	416,082,923
527	32,029
-	8,550,542
-	183,754
-	1,570,712
437,636	44,257,405
-	416,323
<u>6,024,510</u>	<u>515,045,886</u>
-	65,333
-	623,182
4,604,983	8,012,036
-	4,813,118
<u>4,604,983</u>	<u>13,513,669</u>
<u>\$ 10,629,493</u>	<u>\$ 528,559,555</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 13,513,669
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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	117,245,612
Accumulated Depreciation is	<u>(34,159,519)</u>
Total Capital Assets	<u>83,086,093</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>(3,600,491)</u>
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Net Position of Governmental Activities (Statement of Net Position)	<u><u>\$ 92,999,271</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, 2018**

	Major Funds		
	05200 General Fund	97500 Income Support N Warrants	97600 Medical Assistance
<b>REVENUES</b>			
Federal Grants	\$ 194,109,379	\$ 792,966,630	\$ 4,458,058,557
Other Revenues	3,294,379	57,110	62,844,754
Total Revenues	<u>197,403,758</u>	<u>793,023,740</u>	<u>4,520,903,311</u>
<b>EXPENDITURES</b>			
Current:			
Healthcare Services:			
Contractual Services	-	-	11,314,554
Healthcare Services:	-	-	5,603,906,877
Total Healthcare Services	<u>-</u>	<u>-</u>	<u>5,615,221,431</u>
Financial Assistance:			
Personal Services	-	-	-
Contractual Services	-	26,314,347	-
Financial Assistance	-	777,248,285	-
Total Financial Assistance	<u>-</u>	<u>803,562,632</u>	<u>-</u>
General Government:			
Personal Services	102,202,704	-	-
Contractual Services	133,330,989	-	-
Other Operating Costs	64,958,752	-	-
Total General Government	<u>300,492,445</u>	<u>-</u>	<u>-</u>
Capital Outlay	489,329	-	-
Total Expenditures	<u>300,981,774</u>	<u>803,562,632</u>	<u>5,615,221,431</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(103,578,016)	(10,538,892)	(1,094,318,120)
<b>OTHER FINANCING SOURCES (USES)</b>			
State General Fund Appropriations	105,261,200	13,204,500	915,663,900
Transfers In:			
Other State Agencies	759,900	-	170,341,006
Other Funds	-	-	-
Other Component Units of the State	-	-	40,600,000
Reversions to the State General Fund - FY 18	(1,155,956)	(1,125,004)	(2,339,916)
Reversions to the State General Fund - FY 17	(189,646)	-	-
Reversions to the State General Fund - FY 16	-	(43,296)	(17,286,188)
Reversions to the State General Fund - FY 15	-	(69,184)	(12,660,682)
Net Other Financing Sources	<u>104,675,498</u>	<u>11,967,016</u>	<u>1,094,318,120</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,097,482	1,428,124	-
Fund Balances - Beginning	<u>5,304,151</u>	<u>1,078,929</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 6,401,633</u>	<u>\$ 2,507,053</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

Non-Major Funds	Total Governmental Funds
\$ 33,949,041	\$ 5,479,083,607
979,913	67,176,156
<u>34,928,954</u>	<u>5,546,259,763</u>
-	11,314,554
-	5,603,906,877
-	<u>5,615,221,431</u>
-	-
2,000,000	28,314,347
19,659,607	796,907,892
<u>21,659,607</u>	<u>825,222,239</u>
1,455,049	103,657,753
11,830,009	145,160,998
521,991	65,480,743
<u>13,807,049</u>	<u>314,299,494</u>
898,284	1,387,613
<u>36,364,940</u>	<u>6,756,130,777</u>
(1,435,986)	(1,209,871,014)
-	1,034,129,600
1,308,075	172,408,981
-	-
-	40,600,000
-	(4,620,876)
-	(189,646)
-	(17,329,484)
-	(12,729,866)
<u>1,308,075</u>	<u>1,212,268,709</u>
(127,911)	2,397,695
<u>4,732,894</u>	<u>11,115,974</u>
<u>\$ 4,604,983</u>	<u>\$ 13,513,669</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, 2018**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 2,397,695
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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:	176,995
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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	1,387,613
Depreciation Expense	<u>(6,068,967)</u>
Excess of Depreciation Expense Over Capital Outlay	<u>(4,681,354)</u>

Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ (2,106,664)</u>
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**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND  
JUNE 30, 2018**

	97800 Child Support <u>Enforcement</u>
<b>ASSETS</b>	
Current Assets:	
Interest in the State Treasurer General Fund Investment Pool	\$ 971,390
Other Receivables, Net of Allowance of \$1,579,505	<u>589,095</u>
Total Assets	<u><u>\$ 1,560,485</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Deposits Held in Trust for Others	\$ 931,399
Other Liabilities	589,095
Accounts Payable	<u>39,991</u>
Total Liabilities	<u><u>\$ 1,560,485</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE – FUND 05200 – GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Grants	\$ 187,715,800	\$ 209,497,117	\$ 194,109,379	\$ (15,387,738)
Other	3,999,000	3,999,000	3,294,379	(704,621)
Total Revenues	191,714,800	213,496,117	197,403,758	(16,092,359)
<b>EXPENDITURES</b>				
Current:				
Personal Services	105,586,800	106,881,218	102,202,704	4,678,514
Contractual Services	133,429,400	146,766,687	133,330,989	13,435,698
Other Costs	62,811,700	71,078,167	65,448,081	5,630,086
Total Expenditures	301,827,900	324,726,072	300,981,774	23,744,298
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund Appropriations	105,961,200	105,961,200	105,261,200	(700,000)
Transfers in:				
Other State Agencies	759,900	759,900	759,900	-
Other Funds	3,392,000	4,508,855	-	(4,508,855)
Reversions	-	-	(1,345,602)	(1,345,602)
Total Other Financing Sources (Uses)	110,113,100	111,229,955	104,675,498	(6,554,457)
<b>PRIOR YEAR FUND BALANCE</b>				
BUDGETED	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,097,482</b>	<b>\$ 1,097,482</b>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE – FUND 97500 – INCOME SUPPORT N WARRANTS  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Grants	\$ 870,938,600	\$ 870,938,600	\$ 792,966,630	\$ (77,971,970)
Other	-	-	57,110	57,110
Total Revenues	870,938,600	870,938,600	793,023,740	(77,914,860)
<b>EXPENDITURES</b>				
Current:				
Personal Services	-	-	-	-
Contractual Services	30,261,400	30,261,400	26,314,347	3,947,053
Other Costs	853,881,700	854,960,631	777,248,285	77,712,346
Total Expenditures	884,143,100	885,222,031	803,562,632	81,659,399
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund Appropriations	13,204,500	13,204,500	13,204,500	-
Reversions	-	-	(1,237,484)	(1,237,484)
Total Other Financing Sources (Uses)	13,204,500	13,204,500	11,967,016	(1,237,484)
<b>PRIOR YEAR FUND BALANCE</b>				
BUDGETED	-	1,078,931	-	(1,078,931)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,428,124</b>	<b>\$ 1,428,124</b>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE – FUND 97600 – MEDICAL ASSISTANCE  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>REVENUES</b>				
Federal Grants	\$ 4,532,298,900	\$ 4,532,298,900	\$ 4,458,058,557	\$ (74,240,343)
Other	56,420,000	59,138,000	62,844,754	3,706,754
Total Revenues	4,588,718,900	4,591,436,900	4,520,903,311	(70,533,589)
<b>EXPENDITURES</b>				
Current:				
Contractual Services	11,027,700	13,597,900	11,314,554	2,283,346
Other Costs	5,708,457,100	5,708,604,900	5,603,906,877	104,698,023
Total Expenditures	5,719,484,800	5,722,202,800	5,615,221,431	106,981,369
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund Appropriations	915,663,900	915,663,900	915,663,900	-
Transfers in:				
Other State Agencies	215,102,000	215,102,000	170,341,006	(44,760,994)
Other Component Units of the State	-	-	40,600,000	40,600,000
Reversions	-	-	(32,286,786)	(32,286,786)
Total Other Financing Sources (Uses)	1,130,765,900	1,130,765,900	1,094,318,120	(36,447,780)
<b>PRIOR YEAR FUND BALANCE</b>				
<b>BUDGETED</b>	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 the GASB codification, 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, 2018, 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, 2018**

**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 nonfiduciary activities of the Department.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. The functions of the Department have been defined as healthcare services, financial assistance, and general government. Healthcare services 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, 2018**

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

**Department-Wide and Fund Financial Statements (Continued)**

Governmental Funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

*Ten percent criterion* – An individual fund reports at least ten percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total government fund expenditures.

*Five percent criterion* – An individual fund reports at least five percent of the total for the governmental funds of any of the items for which it has met the ten percent criterion.

The Department's major governmental funds are as follows:

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 (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.

**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.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Fund Accounting (Continued)**

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.

Special Revenue 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. The Department did not receive funding from severance tax bonds during 2018.

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 (Traumatic Brain Injury) (Laws of 2013, Chapter 44) (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.

**Fiduciary Funds** are 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.

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

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



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Fund Accounting (Continued)**

The Department estimates that noncustodial parents owe custodial parents a significant amount of past due support. An allowance for doubtful accounts has been recorded equal to the full amount owed by the noncustodial parents that the Department 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.

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.

**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, 2018**

**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 unearned 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 acquisition 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, 2018**

**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.

**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 nonliquid, 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, 2018**

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

**Net Position (Continued)**

**Restricted** – Restricted net position is 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 net position that does not have third-party limitations on its 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, 2018.

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, 2018.

**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, 2018**

**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, 2018**

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

**Healthcare Services Payable (Continued)**

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, 2018**

**NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

The State Controller indicated on August 11, 2017 that 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, 2018, 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	\$ 6,263,518
Traumatic Brain Injury	20520	379,046
Data Processing Appropriations	90100	3,998,814
Income support - L Warrants	97400	(59,013)
Income Support - N Warrants	97500	1,389,848
Medical Assistance	97600	<u>66,849,753</u>
Total Governmental Funds		78,821,966
Child Support Enforcement - K Warrants	97800	<u>971,390</u>
Total		<u><u>\$ 79,793,356</u></u>
Other Cash Balances:		
Wells Fargo Bank	05200	\$ 250
Wells Fargo Bank	97600	<u>25,000</u>
Total Other Cash Balances		<u><u>\$ 25,250</u></u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 financial statements of the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

**Custodial Credit Risk**

The Department's cash balance of \$25,250 is fully insured by the Federal Deposit Insurance Corporation.

**NOTE 5 CAPITAL ASSETS**

**Governmental Activities**

The current year depreciation expense of \$6,068,967 was allocated entirely to the general government function in the government-wide statement of activities.

	June 30, 2017	Additions	Deletions	June 30, 2018
Capital Assets:				
Automobiles	\$ 1,199,810	\$ 193,800	\$ -	\$ 1,393,610
Equipment and Machinery	913,941	-	(148,655)	765,286
Data Processing Equipment	113,777,761	1,193,813	(30,453)	114,941,121
Furniture and Fixtures	152,516	-	(6,921)	145,595
Total Capital Assets	<u>116,044,028</u>	<u>1,387,613</u>	<u>(186,029)</u>	<u>117,245,612</u>
Accumulated Depreciation:				
Automobiles	(487,241)	(120,066)	-	(607,307)
Equipment and Machinery	(805,293)	(16,260)	148,655	(672,898)
Data Processing Equipment	(26,884,332)	(5,932,641)	30,453	(32,786,520)
Furniture and Fixtures	(99,715)	-	6,921	(92,794)
Total Accumulated Depreciation	<u>(28,276,581)</u>	<u>(6,068,967)</u>	<u>186,029</u>	<u>(34,159,519)</u>
Total Capital Assets	<u>\$ 87,767,447</u>	<u>\$ (4,681,354)</u>	<u>\$ -</u>	<u>\$ 83,086,093</u>



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 ACCRUED COMPENSATED ABSENCES**

Accrued compensated absences consist of the following:

	June 30, 2017	Additions	Deletions	June 30, 2018
Total Compensated Absences	\$ 3,777,486	\$ 4,128,838	\$ (4,305,833)	\$ 3,600,491

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, 2018 were 53.87% complete by June 30, 2018. 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 the GASB codification, 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 November of 2016 and ending in December of 2018. It is the discretion of the court whether or the Special Master will be renewed. HSD is responsible for all cost related to the Special Master and his compliance specialist.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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.

In May 2015, HSD was served for violations of the NM Whistleblower Act. Case resolved with substantial award against HSD. The Department has appealed the decision and a favorable or unfavorable outcome is not able to be determined.

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

USDA FNS has asserted a claim against HSD in the amount of approximately \$164,000,000 for alleged overpayment of benefits. HSD has appealed this assessment and requested administrative review. The appeal was filed on October 5, 2018 with support for the administrative review due November 2018. HSD does not agree with the claim. The outcome is not able to be determined.

There are other lawsuits and other pending personnel matters that at this time the outcome cannot be determined.

**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, 2018**

**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, 2018, 2017, and 2016 were \$11,984,312, \$11,808,338, and \$12,385,434, respectively, equal to the amount of the required contributions for each fiscal year.

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability 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 liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

The Department's contributions to the RHCA for the fiscal years ending June 30, 2018, 2017 and 2016 were \$1,410,736, \$1,390,023, and \$1,457,956, respectively, which equal the amount of required contributions for each fiscal year.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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
2019	\$ 17,686,989
2020	17,473,543
2021	17,642,161
2022	16,769,993
2023	14,873,558
2024-2028	50,649,425
2029-2033	10,577,885
2034	200,487
Total	\$ 145,874,041

Total rent expense for office space and equipment for the fiscal year ended June 30, 2018 was as follows:

Office Space	\$ 17,345,323
Equipment	686,468
Total	\$ 18,031,791

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 amount to be reverted to the State General Fund for the state-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 P523	Fiscal Year 2018	\$ 545,753
Fund 052	General Fund P525	Fiscal Year 2018	317,629
Fund 052	General Fund P767	Fiscal Year 2018	144,544
Fund 052	General Fund ZB0518	Fiscal Year 2018	148,030
Fund 975	Income Support	Fiscal Year 2018	1,125,004
Fund 976	Medical Assistance P524	Fiscal Year 2018	999,999
Fund 976	Medical Assistance P766	Fiscal Year 2018	1,314,652
Fund 976	Income Support	Fiscal Year 2018	25,265
			4,620,876

Prior Fiscal Year:

Fund 052	General Fund P525	Fiscal Year 2017	164,258
Fund 052	General Fund P767	Fiscal Year 2017	25,388
Fund 975	Income Support	Fiscal Year 2016	43,296
Fund 975	Income Support	Fiscal Year 2015	69,184
Fund 976	Medical Assistance P524	Fiscal Year 2016	13,891,760
Fund 976	Medical Assistance P524	Fiscal Year 2015	12,660,682
Fund 976	Medical Assistance P766	Fiscal Year 2016	3,394,428
			30,248,996
			\$ 34,869,872

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13 TRANSFERS IN AND TRANSFERS OUT**

State Agency/Fund	Business Unit	SHARE Fund No.	Purpose
Transfers In:			
Transfers from Other State Agencies:			
Department of Health	66500	06100	CCIC
Department of Health	66500	40170	Early Intervention
Department of Health	66500	40175	CCIC
Department of Health	66500	40170	FQHCS
Dept. of Finance & Administration	34100	00900	Computer Enhancement Transfer
Dept. of Finance & Administration	34100	02100	County Supported Medicaid Fund (Admin)
Dept. of Finance & Administration	34100	69700	Tobacco Settlement
Total Transfers from Other State Agencies			
Transfers from Other Component Units of the State:			
University of New Mexico			UPL
Total Transfers In			
General Fund Appropriations:			
Dept. of Finance & Administration	34101	85300	Regular Appropriation
Dept. of Finance & Administration	34101	85300	Special Appropriations
Total Transfers from the State General Fund			

**NOTE 14 DUE TO/FROM OTHER STATE AGENCIES**

State Agency	Business Unit	SHARE Fund No.	Purpose
Due to Other State Agencies:			
Department of Health	66500	06100	Medicaid and TANF Services
Department of Public Safety	79000	20100	Substance Abuse Enforcement Visits
Due from Other State Agencies:			
Department of Finance & Administration	34100	02100	County Supported Medicaid Funds
Department of Health	66500	40170	CCIC

General Fund (05200)	Income Support (97500)	Medical Assistance (97600)	Data Processing Appropriations (90100)	Total
\$ -	\$ -	\$ 106,153,610	\$ -	\$ 106,153,610
-	-	8,099,701	-	8,099,701
-	-	387,670	-	387,670
-	-	462,300	-	462,300
-	-	-	1,308,075	1,308,075
759,900	-	28,419,780	-	29,179,680
-	-	26,817,945	-	26,817,945
<u>759,900</u>	<u>-</u>	<u>170,341,006</u>	<u>1,308,075</u>	<u>172,408,981</u>
-	-	40,600,000	-	40,600,000
<u>\$ 759,900</u>	<u>\$ -</u>	<u>\$ 210,941,006</u>	<u>\$ 1,308,075</u>	<u>\$ 213,008,981</u>
\$ 104,361,200	\$ 12,829,500	\$ 915,663,900	\$ -	\$ 1,032,854,600
900,000	375,000	-	-	1,275,000
<u>\$ 105,261,200</u>	<u>\$ 13,204,500</u>	<u>\$ 915,663,900</u>	<u>\$ -</u>	<u>\$ 1,034,129,600</u>

General Fund	Income Support N Warrants	Medical Assistance	Total
\$ -	\$ 151,797	\$ -	\$ 151,797
31,957	-	-	31,957
<u>\$ 31,957</u>	<u>\$ 151,797</u>	<u>\$ -</u>	<u>\$ 183,754</u>
\$ -	\$ -	\$ 2,021,894	\$ 2,021,894
-	-	4,473,806	4,473,806
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,495,700</u>	<u>\$ 6,495,700</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 2018 fiscal year, the Department paid Risk Management \$1,666,699 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, 2018, 2017, and 2016, 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.

**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, 2018**

**NOTE 16 FUND BALANCE (CONTINUED)**

A summary of the nature and purpose of fund balance reserves by fund type at June 30, 2018 is as follows:

	Non- Spendable	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund (Fund 05200):				
Inventory	\$ 65,333	\$ -	\$ -	\$ -
DASIS Funding - Behavioral Health	-	623,182	-	-
SNAP Bonus	-	-	-	816,855
Child Support Incentives	-	-	-	3,996,263
Residential Substance Abuse Disorder Treatment (Laws 2018, 2 S, C73-S005-79)	-	-	300,000	-
Prison Recidivism Reduction Program (Laws 2018, 2 S, C73-S005-82)	-	-	500,000	-
Behavioral Health Homelessness Prevention (Laws 2018, 2 S, C73-S005-81)	-	-	100,000	-
Total	<u>\$ 65,333</u>	<u>\$ 623,182</u>	<u>\$ 900,000</u>	<u>\$ 4,813,118</u>
Income Support - N Warrants (Fund 97500):				
SSIR (Laws of 2011, Section 5, Chapter 179, Item 17)	\$ -	\$ -	\$ 2,132,053	\$ -
Food Banks (Laws 2018, 2 S, C73-S005-80)	-	-	375,000	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,507,053</u>	<u>\$ -</u>
Nonmajor Funds:				
Traumatic Brain Injury (Fund 20520):				
Brain Injury Service Funds	\$ -	\$ -	\$ 280,793	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,793</u>	<u>\$ -</u>
Data Processing Appropriations (Fund 90100):				
Child Support Enforcement Replacement System (Laws of 2015, Chapter 101, Section 7 & Laws of 2017, Chapter 135, Section 7)	\$ -	\$ -	\$ 2,290,977	\$ -
Medicaid Management Information Replacement System (Laws of 2015, Chapter 101, Section 7)	-	-	769,633	-
Medicaid Reappropriation Computer Enhancement Fund (Laws of 2017, IS, Chapter 135, Section 007-08)	-	-	1,263,580	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,324,190</u>	<u>\$ -</u>
Total Nonmajor funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,604,983</u>	<u>\$ -</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE – PROGRAM SUPPORT PROGRAM – P 522 –  
 GENERAL APPROPRIATIONS  
 YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Grants	\$ 36,617,600	\$ 37,795,198	\$ 32,481,863	\$ (5,313,335)
Other	-	-	3,389,011	3,389,011
Total Revenues	<u>36,617,600</u>	<u>37,795,198</u>	<u>35,870,874</u>	<u>(1,924,324)</u>
<b>EXPENDITURES</b>				
Current:				
Personal Services	17,291,800	16,391,800	16,078,163	313,637
Contractual Services	18,809,400	19,338,997	19,072,145	266,852
Other Costs	15,826,000	17,374,001	16,038,976	1,335,025
Total Expenditures	<u>51,927,200</u>	<u>53,104,798</u>	<u>51,189,284</u>	<u>1,915,514</u>
<b>OTHER FINANCING SOURCES</b>				
State General Fund Appropriations	<u>15,309,600</u>	<u>15,309,600</u>	<u>15,309,600</u>	<u>-</u>
Total Other Financing Sources	<u>15,309,600</u>	<u>15,309,600</u>	<u>15,309,600</u>	<u>-</u>
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,810)</u>	<u>\$ (8,810)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE – CHILD SUPPORT PROGRAM – P 523 –  
 GENERAL APPROPRIATIONS  
 YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Grants	\$ 17,784,800	\$ 17,784,800	\$ 18,414,239	\$ 629,439
Other	2,200,000	2,200,000	2,200,000	-
Total Revenues	19,984,800	19,984,800	20,614,239	629,439
<b>EXPENDITURES</b>				
Current:				
Personal Services	18,943,400	18,643,400	17,309,379	1,334,021
Contractual Services	6,494,000	6,494,000	5,911,131	582,869
Other Costs	5,034,400	5,334,400	4,793,034	541,366
Total Expenditures	30,471,800	30,471,800	28,013,544	2,458,256
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
State General Fund Appropriations	7,095,000	7,095,000	7,095,000	-
Other State Agencies	3,392,000	3,392,000	1,945,490	(1,446,511)
Reversions	-	-	(545,753)	(545,753)
Total Other Financing Sources (Uses)	10,487,000	10,487,000	8,494,737	(1,992,264)
<b>REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095,432</u>	<u>\$ 1,095,432</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE – MEDICAL ASSISTANCE PROGRAM – P 524 –  
 GENERAL APPROPRIATIONS  
 YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 4,170,757,900	\$ 4,173,776,200	\$ 4,124,915,199	\$ (48,861,001)
Other	58,075,300	61,263,800	64,241,442	2,977,642
Total Revenues	<u>4,228,833,200</u>	<u>4,235,040,000</u>	4,189,156,641	(45,883,359)
<b>EXPENDITURES</b>				
Current:				
Personal Services	12,320,700	12,590,700	12,431,272	159,428
Contractual Services	57,331,300	60,722,000	51,847,213	8,874,787
Other Costs	5,189,348,500	5,198,894,600	5,130,452,826	68,441,774
Total Expenditures	<u>5,259,000,500</u>	<u>5,272,207,300</u>	5,194,731,311	77,475,989
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund Appropriations	814,305,400	821,305,400	821,305,400	-
Transfers in:				
Other State Agencies	215,861,900	215,861,900	211,700,906	(4,160,994)
Reversions	-	-	(27,552,442)	(27,552,442)
Total Other Financing Sources (Uses)	<u>1,030,167,300</u>	<u>1,037,167,300</u>	1,005,453,864	(31,713,436)
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120,806)</u>	<u>\$ (120,806)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE – INCOME SUPPORT PROGRAM – P 525 –  
 GENERAL APPROPRIATIONS  
 YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal Grants	\$ 940,344,700	\$ 954,067,834	\$ 872,070,938	\$ (81,996,896)
Other	695,500	2,067,355	935,525	(1,131,830)
Total Revenues	<u>941,040,200</u>	<u>956,135,189</u>	<u>873,006,463</u>	<u>(83,128,726)</u>
<b>EXPENDITURES</b>				
Current:				
Personal Services	53,901,000	56,033,800	53,772,448	2,261,352
Contractual Services	37,834,200	47,146,389	41,599,338	5,547,051
Other Costs	892,831,900	897,560,831	818,663,813	78,897,018
Total Expenditures	<u>984,567,100</u>	<u>1,000,741,020</u>	<u>914,035,599</u>	<u>86,705,421</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund Appropriations	43,526,900	43,526,900	43,526,900	-
Reversions	-	-	(1,744,638)	(1,744,638)
Total Other Financing Sources (Uses)	<u>43,526,900</u>	<u>43,526,900</u>	<u>41,782,262</u>	<u>(1,744,638)</u>
<b>PRIOR YEAR FUND BALANCE</b>				
<b>BUDGETED</b>	<u>-</u>	<u>1,078,931</u>	<u>-</u>	<u>(1,078,931)</u>
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,126</u>	<u>\$ 753,126</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE – MEDICAID BEHAVIORAL HEALTH PROGRAM –  
 P 766 – GENERAL APPROPRIATIONS  
 YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 424,295,700	\$ 424,295,700	\$ 390,463,089	\$ (33,832,611)
Total Revenues	424,295,700	424,295,700	390,463,089	(33,832,611)
<b>EXPENDITURES</b>				
Current:				
Other Costs	539,873,700	532,873,700	494,332,009	38,541,691
Total Expenditures	539,873,700	532,873,700	494,332,009	38,541,691
<b>OTHER FINANCING SOURCES (USES)</b>				
State General Fund Appropriations	115,578,000	108,578,000	108,578,000	-
Reversions	-	-	(4,709,080)	(4,709,080)
Total Other Financing Sources (Uses)	115,578,000	108,578,000	103,868,920	(4,709,080)
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 BUDGETARY COMPARISON SCHEDULE – BEHAVIORAL HEALTH SERVICES PROGRAM –  
 P 767 – GENERAL APPROPRIATIONS  
 YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 20,417,200	\$ 26,024,485	\$ 22,536,614	\$ (3,487,871)
Other	187,500	187,500	180,184	(7,316)
Total Revenues	<u>20,604,700</u>	<u>26,211,985</u>	<u>22,716,798</u>	<u>(3,495,187)</u>
<b>EXPENDITURES</b>				
Current:				
Personal Services	3,129,900	3,221,518	2,611,444	610,074
Contractual Services	52,821,100	57,966,601	54,935,767	3,030,834
Other Costs	1,693,400	2,063,566	1,957,176	106,390
Total Expenditures	<u>57,644,400</u>	<u>63,251,685</u>	<u>59,504,387</u>	<u>3,747,298</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
State General Fund Appropriations	37,039,700	37,039,700	37,039,700	-
Other State Agencies	-	-	28,684	28,684
Transfers out:				
Reversions	-	-	(169,932)	(169,932)
Total Other Financing Sources (Uses)	<u>37,039,700</u>	<u>37,039,700</u>	<u>36,898,452</u>	<u>(141,248)</u>
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,863</u>	<u>\$ 110,863</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE – INCOME SUPPORT Z-CODES  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
Other Costs	375,000	375,000	-	375,000
Total Expenditures	375,000	375,000	-	375,000
<b>OTHER FINANCING SOURCES</b>				
State General Fund Appropriations	375,000	375,000	375,000	-
Total Other Financing Sources	375,000	375,000	375,000	-
<b>REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 375,000</u>



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE – DATA PROCESSING Z-CODES  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 31,366,759	\$ 31,366,759	\$ 12,289,434	\$ (19,077,325)
Other	4,331,295	4,331,295	-	(4,331,295)
Total Revenues	<u>35,698,054</u>	<u>35,698,054</u>	12,289,434	<u>(23,408,620)</u>
<b>EXPENDITURES</b>				
Current:				
Personal Services	4,516,838	4,516,838	1,455,049	3,061,789
Contractual Services	28,837,085	28,837,085	10,729,291	18,107,794
Other Costs	3,652,206	3,652,206	1,420,274	2,231,932
Total Expenditures	<u>37,006,129</u>	<u>37,006,129</u>	13,604,614	<u>23,401,515</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
Other State Agencies	1,308,075	1,308,075	1,308,075	-
Total Other Financing Sources	<u>1,308,075</u>	<u>1,308,075</u>	1,308,075	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,105)</u>	<u>\$ (7,105)</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND Z-CODES  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ 567,800	\$ 567,800	\$ 143,038	\$ (424,762)
Total Revenues	567,800	567,800	143,038	(424,762)
<b>EXPENDITURES</b>				
Current:				
Personal Services	-	-	-	-
Contractual Services	2,167,800	2,167,800	695,007	1,472,793
Total Expenditures	2,167,800	2,167,800	695,007	1,472,793
<b>OTHER FINANCING SOURCES</b>				
State General Fund Appropriations	1,600,000	1,600,000	900,000	(700,000)
Reversions	-	-	(148,030)	(148,030)
Total Other Financing Sources	1,600,000	1,600,000	751,970	(848,030)
<b>REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,001</b>	<b>\$ 200,001</b>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
COMBINING BALANCE SHEET – GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2018**

	20520 Traumatic Brain Injury	89200 Severance Tax Bond Proceeds	90100 Data Processing Appropriations
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Investment in State General Fund			
Investment Pool	379,046	-	3,998,814
Federal Grants Receivable, Net	-	-	3,795,818
Accounts Receivable, Net	-	-	-
Due from Other State Agencies	-	-	-
Supplies and Commodities Inventory	-	-	-
	<u>379,046</u>	<u>-</u>	<u>7,794,632</u>
Total Assets	<u>\$ 379,046</u>	<u>\$ -</u>	<u>\$ 7,794,632</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 98,253	\$ -	\$ 3,359,797
Accrued Payroll	-	-	-
Healthcare Services Payable	-	-	-
Due to State General Fund	-	-	527
Other Liabilities	-	-	-
Due to Other State Agencies	-	-	-
Due to Other Component Units of the State	-	-	-
Due to Federal Government	-	-	110,118
Unearned Revenue	-	-	-
	<u>98,253</u>	<u>-</u>	<u>3,470,442</u>
Total Liabilities	<u>98,253</u>	<u>-</u>	<u>3,470,442</u>
<b>FUND BALANCES</b>			
Nonspendable - Inventory	-	-	-
Restricted	-	-	-
Committed	280,793	-	4,324,190
Assigned	-	-	-
	<u>280,793</u>	<u>-</u>	<u>4,324,190</u>
Total Fund Balances	<u>280,793</u>	<u>-</u>	<u>4,324,190</u>
	<u>\$ 379,046</u>	<u>\$ -</u>	<u>\$ 7,794,632</u>
Total Liabilities and Fund Balances	<u>\$ 379,046</u>	<u>\$ -</u>	<u>\$ 7,794,632</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 COMBINING BALANCE SHEET – GOVERNMENTAL NONMAJOR FUNDS (CONTINUED)  
 JUNE 30, 2018**

97400 Income Support L Warrants		Total NonMajor Funds	
\$	-	\$	-
	(59,013)		4,318,847
	2,514,828		6,310,646
	-		-
	-		-
	-		-
\$	2,455,815	\$	10,629,493
<hr/>			
\$	2,128,297	\$	5,586,347
	-		-
	-		-
	-		527
	-		-
	-		-
	-		-
	327,518		437,636
	-		-
	2,455,815		6,024,510
<hr/>			
	-		-
	-		-
	-		4,604,983
	-		-
	-		4,604,983
<hr/>			
\$	2,455,815	\$	10,629,493
<hr/>			

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL NONMAJOR FUNDS  
YEAR ENDED JUNE 30, 2018**

	20520 Traumatic Brain Injury	89200 Severance Tax Bond Proceeds	90100 Data Processing Appropriations
<b>REVENUES</b>			
Federal Grants	\$ -	\$ -	\$ 12,289,434
Other Revenues	979,913	-	-
<b>Total Revenues</b>	<u>979,913</u>	<u>-</u>	<u>12,289,434</u>
<b>EXPENDITURES</b>			
Current:			
Healthcare Services:			
Contractual Services	-	-	-
Healthcare Services:	-	-	-
<b>Total Healthcare Services</b>	<u>-</u>	<u>-</u>	<u>-</u>
Financial Assistance:			
Personal Services	-	-	-
Contractual Services	-	-	-
Financial Assistance	-	-	-
<b>Total Financial Assistance</b>	<u>-</u>	<u>-</u>	<u>-</u>
General Government:			
Personal Services	-	-	1,455,049
Contractual Services	1,100,719	-	10,729,290
Other Operating Costs	-	-	521,991
<b>Total General Government</b>	<u>1,100,719</u>	<u>-</u>	<u>12,706,330</u>
Capital Outlay	-	-	898,284
<b>Total Expenditures</b>	<u>1,100,719</u>	<u>-</u>	<u>13,604,614</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(120,806)	-	(1,315,180)
<b>OTHER FINANCING SOURCES (USES)</b>			
State General Fund Appropriations	-	-	-
Transfers In:			
Other State Agencies	-	-	1,308,075
Other Funds	-	-	-
Other Component Units of the State	-	-	-
Reversions to the State General Fund - FY 18	-	-	-
Reversions to the State General Fund - FY 17	-	-	-
Reversions to the State General Fund - FY 16	-	-	-
Reversions to the State General Fund - FY 15	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>1,308,075</u>
<b>NET CHANGE IN FUND BALANCES</b>	(120,806)	-	(7,105)
Fund Balances - Beginning	401,599	-	4,331,295
<b>FUND BALANCES - ENDING</b>	<u>\$ 280,793</u>	<u>\$ -</u>	<u>\$ 4,324,190</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES – GOVERNMENTAL NONMAJOR FUNDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2018**

	97400 Income Support L Warrants		Total Non Major Funds
	\$ 21,659,607	\$	33,949,041
	-		979,913
	<u>21,659,607</u>		<u>34,928,954</u>
	-		-
	-		-
	-		-
	-		-
	2,000,000		2,000,000
	<u>19,659,607</u>		<u>19,659,607</u>
	<u>21,659,607</u>		<u>21,659,607</u>
	-		1,455,049
	-		11,830,009
	-		521,991
	<u>-</u>		<u>13,807,049</u>
	-		898,284
	<u>21,659,607</u>		<u>36,364,940</u>
	-		(1,435,986)
	-		-
	-		1,308,075
	-		-
	-		-
	-		-
	-		-
	<u>-</u>		<u>1,308,075</u>
	-		(127,911)
	<u>-</u>		<u>4,732,894</u>
	<u>\$ -</u>	<u>\$</u>	<u>4,604,983</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND  
FUND 978 – CHILD SUPPORT ENFORCEMENT  
YEAR ENDED JUNE 30, 2018**

	June 30, 2017	Additions	Deletions	June 30, 2018
<b>ASSETS</b>				
Interest in the State Treasurer				
General Fund Investment Pool	\$ 331,633	\$ 140,696,910	\$(140,057,153)	\$ 971,390
Other Receivables, Net	598,271	-	(9,176)	589,095
	<u>\$ 929,904</u>	<u>\$ 140,696,910</u>	<u>\$(140,066,329)</u>	<u>\$ 1,560,485</u>
<b>LIABILITIES</b>				
Deposits Held in Trust for Others	\$ 232,200	\$ 140,825,822	\$(140,126,623)	\$ 931,399
Other Liabilities	598,271	-	(9,176)	589,095
Due to Other Agencies	99,433	-	(59,442)	39,991
	<u>\$ 929,904</u>	<u>\$ 140,825,822</u>	<u>\$(140,195,241)</u>	<u>\$ 1,560,485</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF JOINT POWERS AGREEMENTS  
YEAR ENDED JUNE 30, 2018**

Name/ Responsible Party	Program Description	Contract #	Date of Agreement		Fiscal Agent/ Audit Responsibility	Contract Amount	FY18 Contract Amount	Expended Amount
			Beginning	Ending				
CYFD	Case Management - Protective Services	JPA 95-17 A1	6/18/1994	UT	HSD	\$ 5,451,995	\$ 1,645,000	\$ 1,147,901
Department of Health	EPSDT	JPA 95-29	7/1/1995	UT	HSD	1,000,000	525,000	327,684
Department of Health	Nurse Aide Training	JPA 96-22 A2	2/8/1996	UT	HSD	3,525,000	1,825,000	730,066
Department of Health	Coordinate Services for Medicaid Eligible Families	JPA 96-32	7/1/1994	UT	HSD	1,000,000	500,000	386,369
Department of Health	Home and Community Based Waivers	JPA 11-630-8000-0003 A4	7/1/2010	UT	HSD	20,185,149	11,025,000	6,636,587
Department of Health	Administrative Funds for Medicaid Assistance Clients	JPA 11-630-8000-0008 A1	7/1/2010	UT	HSD	1,645,000	1,400,000	1,329,815
CSED/Navajo Nation	To Manage Navajo Nation's CSE Cases	JPA 16-630-7101-0019	12/11/2015	6/30/2020	HSD	3,072,262	629,909	-

UT - Until Terminated



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF SPECIAL APPROPRIATIONS  
YEAR ENDED JUNE 30, 2018**

Description	Purpose	Appropriation Period	Original/ Adjusted Appropriation	Prior Years' Expenditures (Unaudited)	Current Year Expenditures FY18	Amount to be Reverted	Unencumbered Appropriations
FUND 052 - GENERAL FUND							
APPROPRIATIONS							
BHSD	Laws 2017 Chapter 135 Section 5 Item 18 Attorney fees, special master and other costs associated with Deborah Hatten-Gonzales lawsuit	July 2016 to June 2018	\$ 1,267,800	\$ -	\$ 695,007	\$ 148,030	\$ 424,763
BHSD	Laws 2018 Chapter 73 Section 5 Item 79 For a demonstration project providing evidence-based residential substance use disorder treatment	June 2018 to June 2019	<u>300,000</u>	-	-	-	<u>300,000</u>
BHSD	Laws 2018 Chapter 73 Section 5 Item 81 For housing for people who are homeless or at risk of homelessness due to behavioral health disabilities	June 2018 to June 2019	<u>100,000</u>	-	-	-	<u>100,000</u>
BHSD	Laws 2018 Chapter 73 Section 5 Item 82 To assist jails and prisons to initiate a recidivism reduction program	June 2018 to June 2019	<u>500,000</u>	-	-	-	<u>500,000</u>
Fund 052 total			<u><u>\$ 2,167,800</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 695,007</u></u>	<u><u>\$ 148,030</u></u>	<u><u>\$ 1,324,763</u></u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

Description	Purpose	Appropriation Period	Original/ Adjusted Appropriation	Prior Years' Expenditures (Unaudited)	Current Year Expenditures FY18	Amount to be Reverted	Unencumbered Appropriations
FUND 901 - DATA PROCESSING APPROPRIATIONS							
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 2019	\$ 3,400,000	\$ 1,100,257	\$ 8,768	\$ -	\$ 2,290,975
CSED	Laws of 2015, Chapter 101, Section 7 To redevelop and replace the Medicaid Management information system	July 2016 to June 2019	30,800,000	7,841,324	13,141,820	-	9,816,856
CSED	Laws of 2015, Chapter 101, Section 7 To redevelop and replace the Medicaid Management information system	July 2017 to June 2019	<u>50,000,000</u>	<u>-</u>	<u>454,026</u>	<u>-</u>	<u>49,545,974</u>
Fund 901 total			<u>\$ 84,200,000</u>	<u>\$ 8,941,581</u>	<u>\$ 13,604,614</u>	<u>\$ -</u>	<u>\$ 61,653,805</u>
FUND 975 - INCOME SUPPORT APPROPRIATIONS							
SSIAR	Laws 2018 Chapter 73 Section 5 Item 80 For statewide food banks	June 2018 to June 2019	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,000</u>
Fund 975 total			<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,000</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Amounts Passed Through To Subrecipients	Federal Participating Expenditures
<b>Department of Agriculture (USDA) Direct Programs</b>				
Food and Nutrition Services Commodities Assurance (SAE)	10.560	12-35-3501	\$ -	\$ 243,498
Food Distribution Cluster:				
Food Nutrition Commodity Program (noncash)	10.569	None	-	4,691,585
Emergency Food Assistance Program (Administrative Costs)	10.568	XNM810813	712,000	795,995
Commodity Supplemental Food Program	10.565	74Y8005	567,518	1,138,429
Commodity Supplemental Food Program	10.565	None	-	3,586,091
Subtotal for CFDA 10.565			<u>567,518</u>	<u>4,724,520</u>
Total Food Distribution Cluster			1,279,518	10,212,100
National School Lunch Program	10.555	none	-	10,741,495
Total Food and Nutrition Services			1,279,518	21,197,093
Supplemental Nutritional Assistance Program (SNAP) Cluster:				
SNAP & EBT Distribution	10.551	58-3189-8-104	-	645,810,663
Administration and SAVE	10.561	12-35-3501	-	18,753,438
SNAP Employment/Training Grant	10.561	12-35-3501	-	851,094
SNAP State Exchange	10.561	12-35-3501	-	15,449
SNAP Nutrition Education	10.561	12-35-3501	1,430,038	3,947,606
Subtotal for CFDA 10.561			<u>1,430,038</u>	<u>23,567,587</u>
Total Supplemental Nutritional Assistance Program (SNAP) Cluster			<u>1,430,038</u>	<u>669,378,250</u>
<b>Total USDA</b>			2,709,556	690,575,343
<b>Department of Health and Human Services (DHHS)</b>				
<b>Family Support Administration Direct Programs:</b>				
Administration of Child Support Enforcement Program	93.563	G-XX-04-NM-4004	2,208,377	25,419,051
Temporary Assistance for Needy Families (TANF)	93.558	G-XX-04-NM-TANF	68,768,024	120,745,071
Low Income Energy Assistance Program (Title XXVI)	93.568	G-XX-B1-NM-LIEA	2,402,172	22,294,471
<b>Total Family Support Administration Direct Programs</b>			73,378,573	168,458,593
Family Support Administration Pass-Through Programs				
Community Service Block Grant	93.569	01-XX-B1-NM-COSR	2,532,118	3,847,304
<b>Administration for Children, Youth and Families Direct Programs:</b>				
Direct Programs - Refugee Resettlement Program (Cash & Medical and Social Services)	93.566	G-XX-04-NM-6100	72,158	594,779
Refugee School Impact (RSI) and Refugee TAG	93.576	G-XX-04-NM-6110	69,683	189,601
<b>Total Administration for Children Youth and Families Direct Programs</b>			141,841	784,380
<b>Center for Substance Abuse Treatment (CSAT)</b>				
Substance Abuse Prevention and Treatment	93.959	2B08T1010037-11S2	6,864,726	8,647,623
New Mexico Opioid STR	93.788	1H79T1080267-01	4,686,552	5,196,428
Housing Health & Recovery for Homeless Individuals	93.243	5H79T1026053-02	1,854,680	1,919,306
Prevent Prescription Drug/Opioid Overdose-Related Deaths	93.243	1H79SP022114-01	783,992	1,020,737
Strategic Prevention Framework for Prescription Drugs	93.243	1U79SP022084-01	291,475	328,954
State Epidemiological Outcomes Workgroups (SEOWs)	93.243	1U79SP019429-01	1,093,391	1,214,254
Screening, Brief Intervention and Referral for Treatment	93.243	1U79T1025087-01	1,918,812	1,663,786
Subtotal for CFDA 93.243			<u>5,942,350</u>	<u>6,147,037</u>
<b>Total Substance Abuse Treatment</b>			17,493,628	19,991,088

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Amounts Passed Through To Subrecipients	Federal Participating Expenditures
<b>Substance Abuse and Mental Health Services Administration</b>				
Center for Mental Health Services (CMHS):				
Community Mental Health Services Block Grant	93.958	2B09SM010037-11S4	\$ 2,280,362	\$ 2,327,484
Programs for Assistance in Transition from Homelessness	93.150	2X06SM060032-11	300,000	300,000
NM Suicide Prevention	93.764	1H79SM062085-01	<u>131,752</u>	<u>131,742</u>
Total Mental Health Services			2,712,114	2,759,226
<b>Centers for Medicare &amp; Medicaid Services:</b>				
Medicaid Cluster:				
Office of Health Care Finance Administration Pass-Through Program - Title XIX Certification	93.777	05-XX-05-NM-5001	-	1,446,010
Medical Assistance Payments Title XIX	93.778	05-XX-05-NM-5028	-	4,330,119,903
Administration and Training Title XIX	93.778	05-XX-05-NM-5048	46,703,970	129,948,353
Health Information Technology Incentive Payments	93.778	05-1305NMINCT	-	13,371,303
Health Information Technology Implementation Payments	93.778	none	<u>163,652</u>	<u>771,561</u>
Subtotal for CFDA 93.778			<u>46,867,622</u>	<u>4,474,211,120</u>
Total Medicaid Cluster			46,867,622	4,475,657,130
Children's Health Insurance Program (CHIP)	93.767	05-XX-05-NM5021	<u>594,007</u>	<u>108,900,745</u>
<b>Total Centers for Medicare &amp; Medicaid Services</b>			<u>47,461,629</u>	<u>4,584,557,875</u>
<b>Total DHHS</b>			<u>143,719,903</u>	<u>4,780,398,466</u>
<b>Total Federal Assistance</b>			<u>\$ 146,429,459</u>	<u>\$ 5,470,973,809</u>

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

**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% de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal Grant Revenue, per Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 5,479,083,607
Less: Federal Grant Revenue, not directly related to Grant Expenditures	(8,455,197)
Miscellaneous Adjustments	<u>345,399</u>
Federal Grant Revenue, per Statement of Expenditures of Federal Awards	<u>\$ 5,470,973,809</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. Wayne Johnson, New Mexico State Auditor  
Santa Fe, New Mexico

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, the aggregate remaining fund information, and the major fund budgetary comparison schedules of the New Mexico Human Services Department (the Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

Mr. Brent Earnest, Cabinet Secretary  
New Mexico Human Services Department and  
Mr. Wayne Johnson, New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-002.

### **The Department's Response to Findings**

The Department's response 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



### **CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 1, 2018

**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. Wayne Johnson, New Mexico State Auditor  
Santa Fe, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited New Mexico Human Services Department's (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, 2018. 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, 2018.



Mr. Brent Earnest, Cabinet Secretary  
New Mexico Human Services Department and  
Mr. Wayne Johnson, 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 2018-003, 2018-004, 2018-005, and 2018-006. 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 a 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 have not been 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 2018-003, 2018-004, 2018-005, and 2018-006, which we consider to be significant deficiencies.

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

Mr. Brent Earnest, Cabinet Secretary  
New Mexico Human Services Department and  
Mr. Wayne Johnson, New Mexico State Auditor

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 1, 2018

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

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

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

Any audit findings, disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

***Identification of Major Federal Programs:***

<b>CFDA Numbers</b>	<b>Name of Federal Program</b>
10.551/10/561	Supplemental Nutrition Assistance Program Cluster
93.767	Children’s Health Insurance Program
93.558	Temporary Assistance for Needy Families (TANF)
93.777/93.778	Medicaid Cluster
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$16,412,684

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, 2018**

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**Section II – Financial Statement Findings**

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**Finding 2018-001**

**Type of finding:**

- Material Weakness

**Condition:** The Department is not reconciling and repaying the balance in the due to federal government account.

**Criteria or specific requirement:** Proper internal controls over federal programs include a review and prompt repayment of any Federal overbillings.

**Context:** In fiscal year 2016, the Department received about \$40 million in revenues that should have been used to offset federal reimbursements. As the reimbursements for the year had been completed, the amount was recorded as a due to the federal government. Since that time, the Department has not utilized the amounts to offset the federal reimbursement requests.

**Effect:** Misstatement to the financial statement and obligation to pay back any earnings on these funds.

**Cause:** Management oversight.

**Recommendation:** We recommend management reconcile the amount due to the federal government for proper recognition and repayment of any amounts owed.

**Views of responsible officials and planned corrective actions:** Management agrees with this finding. HSD has not received any communication or confirmation from the Federal Government showing monies due. HSD Management contracted with Myer and Stauffer to reconcile and identify the balance remaining for Medicaid. Management will continue to reconcile grant programs and work with bureaus within the Administrative Services Division to process and return funds to our federal partners for all other HSD programs. The Grants Management Bureau Chief, will ensure timely reconciliation and monitoring of "Due to the Federal Government" with the quarterly Trial Balance meetings and monthly management review. ASD intends to address any prior year balances by June 30, 2019.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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**2018–003 Processes and Controls over Eligibility**

**Federal agency:** Department of Health and Human Services

**Federal program title:** Temporary Assistance for Needy Families (TANF)

**CFDA number:** 93.558

**Award period:** Multiple Awards; Covering July 1, 2017 – June 30, 2018

**Type of finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Questioned costs:** \$1,474

**Condition:** The Department approved benefits for a case that had previously submitted an application indicating the applicant would not be eligible for benefits.

*Management's Progress for Repeat Findings: The recommendations from prior year finding were addressed. However, related issues were identified during the current year's testing over the TANF eligibility testing.*

**Criteria or specific requirement:** Per the grant 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.

**Context:** During testing over eligibility, we identified one instance where an individual submitted information indicating the applicant was a fleeing felon, a status which would make the applicant ineligible for benefits. The application was denied due to the income requirements for the program. However, the case was approved for benefits at a later date with no documentation of follow up on the fleeing felon status.

**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:** The Department could issue benefits to applicants who are ineligible to participate in the program.

**Repeat finding:** 2017-003

**Recommendation:** We recommend the Department develop a process to identify cases or individuals who have previously presented information which makes them ineligible for benefits, so the Department does not issue benefits in the future without confirming the case or individual is eligible.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**2018–003 Processes and Controls over Eligibility (Continued)**

**Views of responsible officials:** The Department has reviewed the finding and in the review has determined that eligibility is not affected for the questioned cost of \$1,474.

For the finding: “we identified one instance where an individual submitted information indicating they were a fleeing felon, a status which would make them ineligible for benefits. The application was denied due to the income requirements for the program. However, the case was approved for benefits at a later date with no documentation of follow up on the fleeing felon status”, the eligibility status is not in question because the eligibility criteria for fleeing felon is verified with client statement. The application that was submitted and the customer did mark the fleeing felon column. This application was denied for other mandatory verifications not being provided. When the individual reapplied the individual didn’t mark that she was a fleeing felon, since this is client statement, the eligibility is not in question.

The Department noted that documentation in the case file is lacking to determine if this was addressed. Documentation should always be entered per Department directive to their employees. The Income Support Division County Directors will review with all field staff the General Information Memorandum (GI) 17-05 Determining Fleeing Felon Status and GI 16-58 Case Documentation in ASPEN and require an acknowledgement form be signed from all employees attesting they understand the rules and regulations related to these issues. The Cash Staff Manager will provide the necessary documents to the County Directors; monitor and track the acknowledgement forms submitted by each employee. All forms must be submitted by January 19, 2019.

**2018–004 Eligibility**

**Federal agency:** Department of Health and Human Services

**Federal program title:** Temporary Assistance for Needy Families (TANF)

**CFDA number:** 93.558

**Award period:** Multiple Awards; Covering July 1, 2017 – June 30, 2018

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Questioned costs:** \$25

**Condition:** The Department incorrectly delayed the payment of the layette benefit to a household with a newborn.

*Management’s Progress for Repeat Findings: The recommendations from prior year finding were addressed. However, related issues were identified during the current year’s testing over the TANF eligibility testing.*

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**2018–004 Eligibility (Continued)**

**Criteria or specific requirement:** Per Layette policies set forth in New Mexico Administrative Code (NMAC) 8.102.500.8 (E) (3), “A one-time layette allowance of \$25 is allowed upon the birth of a child who is included in the benefit group. The allowance shall be authorized by no later than the end of the month following the month in which the child is born”.

**Context:** Out of 40 cases tested, one case was identified where the layette payment was authorized later than the end of the month following the month in which the child was born.

**Cause:** It was determined that the cause of this issue was an error in the ASPEN system. The Department’s monitoring controls over eligibility failed to prevent or detect these errors.

**Effect:** Certain households received benefits less than what is allowable by law.

**Repeat finding:** 2017-004

**Recommendation:** We recommend the Department employees assigned to monitor eligibility compliance incorporate a consideration of layette payments. On an information system level, we recommend the Department make the necessary changes in order to prevent such errors going forward.

**Views of responsible officials:** The Department agrees with this finding, as ASPEN is not issuing the layette payment timely as written in policy. However the payment is still being issued to the household. The household is not receiving benefits less than what is allowable by law, the benefits is not being issued timely. The Cash Staff Manager submitted Work Request #118759 to the ASPEN Change Management Committee to address this issue. This WR is currently in the internal process of being prioritized to be worked on by our ASPEN Contractor by June 30, 2019.

**2018-005 Noncooperation with Child Support Enforcement Division**

**Federal agency:** Department of Health and Human Services

**Federal program title:** Temporary Assistance for Needy Families (TANF)

**CFDA number:** 93.558

**Award period:** Multiple Awards; Covering July 1, 2017 – June 30, 2018

**Type of finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Questioned costs:** \$24,510

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**2018-005 Noncooperation with Child Support Enforcement Division (Continued)**

**Condition:** Per Child Support Enforcement Division's (CSED) sanction requirements, appropriate levels of sanctions were not properly applied to benefits.

*Management's Progress for Repeat Findings: The recommendations from prior year finding were addressed. However, related issues were identified during the current year's testing over the Child Support Enforcement Requirements..*

**Criteria or specific requirement:** Per grant agreement, 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.

**Context:** Out of the 60 instances of noncompliance tested for compliance with the CSED's sanction requirements, 23 did not have the appropriate level of sanctions applied to their benefits, resulting in \$24,510 of known questioned costs.

- There was one instance where the sanction was not enforced in ASPEN because the participant had previously received a sanction related to the Child Support Enforcement Division prior to receiving any TANF benefits.
- There was one instance where the sanction was not enforced in ASPEN because the participant was included on two TANF cases. In these instances the sanction is not applied to either case.
- The remaining 21 instances were caused when an ASPEN Mass update did not occur because the case was pending caseworker action.

**Cause:** These instances were caused by caseworker error during the processing of the cases.

**Effect:** The Department was unable to effectively apply the sanctions, resulting in known amounts of questioned costs of \$24,510.

**Repeat finding:** 2014-006, 2015-001, 2016-003, and 2017-007

**Recommendation:** We recommend 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.



**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**2018-005 Noncooperation with Child Support Enforcement Division (Continued)**

**Views of responsible officials:** The Department agrees with the following findings:

- There was one instance where the sanction was not enforced in ASPEN because the participant had previously received a sanction related to the Child Support Enforcement Division prior to receiving any TANF benefits.
  - Action: An ASPEN Change Request (CR) #2877 has been created to address and fix this issue. This CR is in the internal prioritization process.
- There was one instance where the sanction was not enforced in ASPEN because the participant was included on two TANF cases. In these instances, the sanction is not applied to either case
  - Action: The Department had identified this issue and acted to correct this. This issue has been corrected as of September 10, 2018, and the instance in review was prior to ASPEN being fixed.
- The remaining 21 instances were caused when an ASPEN Mass update did not occur because the case was pending caseworker action.
  - Action: CSED will issue policy clarification with the existing training material for staff to follow the CFR when closing cases. They will also prepare a quarterly report and system reconciliation to monitor proper case completion. The ISD Cash Program Manager and CSED Operations Manager will monitor this process.

**2018-006 Subrecipient Monitoring**

**Federal agency:** Office of Child Support Enforcement, Administration for Children and Families, Department of Health and Human Services

**Federal program title:** Child Support Enforcement

**CFDA number:** 93.563

**Award period:** Multiple Awards; Covering July 1, 2017 – June 30, 2018

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**Questioned costs:** \$0

**Condition:** The Department is out of compliance with the Uniform Grant Guidance related to pass-through entities.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**2018–006 Subrecipient Monitoring (Continued)**

**Criteria or specific requirement:** Per §200.331 Requirements for pass-through entities, all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the information listed at §200.331 at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Also, per §200.331, all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring to include verifying that every subrecipient is audited as required by Subpart F—Audit Requirements when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

**Context:** Out of the five subrecipients tested, five did not receive the required information as part of the subaward. Also, the five did not have any reviews for compliance with federal programs completed.

**Cause:** The Department lacks a procedure to ensure that all subawards are complying with federal requirements.

**Effect:** The Department is out of compliance with Federal regulations.

**Recommendation:** We recommend that the Department develop a procedure to ensure compliance with the requirements related to pass-through entities and train all program staff who work with federal programs to ensure compliance.

**Views of responsible officials:** There is no disagreement with this audit finding. The division was not aware of the responsibility to perform on-site audits of subrecipients. The Child Support Enforcement Division financial manager will develop a procedure to ensure that each subrecipient will be receiving an on-site audit to ensure proper accounting of services provided. This will be completed in SFY19 and each fiscal year there-after.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

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**Section IV – Other**

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**2018-002 Lease Schedules**

Type of Finding: Other

**Condition:** Equipment lease schedules were not tracked in entirety and therefore not complete.

**Criteria or specific requirement:** Proper internal controls over lease expenditures includes tracking equipment leases to ensure that expenses are captured accurately in financial reports.

**Context:** During lease testing, 4 out of 11 equipment leases did not have accurate lease terms on the provided lease schedule. Also, lease schedules did not contain detailed lease information including lease terms, total lease commitments, prior expenses, current year expenses and remaining commitment.

**Cause:** The Department does not have a standardized process in place to appropriately track commitments for equipment leases across the divisions.

**Effect:** Lease commitments may not be accurately reflected in the financial statements.

**Recommendation:** We recommend the Department standardize the process for lease schedules and include a standardized tracking mechanism to include lease terms, total commitments, prior amounts paid, current amounts paid and remaining commitment.

**Views of responsible officials:** We agree with the finding. The Administrative Services Division (ASD) will establish a uniform tracking process to ensure that all equipment leases are accounted for and lease details will be scheduled out completely to ensure the entire commitment is captured. The schedule will be consistent in form for all divisions. The ASD Deputy Director will disseminate a uniform template to be used to completely capture all leases and schedule out the details to ensure completeness and accuracy of the leases and the long-term commitment. The ASD Deputy Director will coordinate with the divisions to ensure compliance by June 30, 2019.

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018**

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**Section V – Prior Year Financial Statement Findings**

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<b>Finding #</b>	<b>Status</b>
2017-009 Due To/From and Transfers In/Out from Other State Agencies	Resolved

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**Section VI – Prior Year Federal Award Findings and Questioned Costs**

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<b>Finding #</b>	<b>Status</b>
2017-001 ACF Reporting	Resolved
2017-002 Long-Term Care Audits	Resolved
2017-003 Processes and Controls over Eligibility	Repeated and Modified
2017-004 Eligibility	Repeated and Modified
2017-006 CMS Quarterly Statement of Expenditures for the Medical Assistance Reporting	Resolved
2017-007 Noncooperation with Child Support Enforcement Division	Repeated and Modified
2017-008 Medicaid Eligibility	Resolved

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**Section VII – Other**

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<b>Finding #</b>	<b>Status</b>
2017-005 Noncompliance with Notification Requirements for Disposals of Capital Assets	Resolved

**STATE OF NEW MEXICO HUMAN SERVICES DEPARTMENT  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2018**

An exit conference was held with the Department on October 31, 2018. 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, Chief Information Officer  
Danny Sandoval, ASD Director, CFO  
Joyce Sandoval, ASD Deputy Director, Administrative Services  
Carolee Graham, ASD Deputy Director, Administrative Services  
Jeanette Lujan, ASD Accounting Bureau Chief  
Jeanette Lucero, Audit Coordinator  
Anthony Webb, CSED  
Mary Brogdon, ISD  
Shanita Harrison, ISD  
Jennifer Mondragon, MAD

**CLIFTONLARSONALLEN LLP**

Georgie Ortiz, CPA, CGFM, Managing Principal  
Andres Gamez, CPA, Director

**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.