

**NEW MEXICO DEPARTMENT OF
WORKFORCE SOLUTIONS**
Albuquerque, New Mexico

FINANCIAL STATEMENTS
June 30, 2014

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**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
OFFICIAL ROSTER
June 30, 2014**

Name	Title
Celina Bussey	Cabinet Secretary
Joy Forehand	Deputy Cabinet Secretary
Marshal Ray	Deputy Cabinet Secretary
David Robbins	Chief Financial Officer
Sue Anne Athens	Chief Information Officer
Jason Dean	Director of Unemployment Insurance
Marcos Martinez	Director of Business Services
Dolores Haley	State Administrative Entity



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INDEPENDENT AUDITORS' REPORT

Celina Bussey, Cabinet Secretary
New Mexico Department of Workforce Solutions and
Mr. Hector Balderas
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and each major special revenue fund of the New Mexico Department of Workforce Solutions (the Department), as of and for the year ended June 30, 2014, 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.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of 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, business-type activities, each major fund, the aggregate remaining fund information and all of the respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2014, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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 Department's financial statements and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules as listed in the table of contents as other supplemental schedules as required by 2.2.2 NMAC 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 and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 12, 2014

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

The Management's Discussion and Analysis of the New Mexico Department of Workforce Solutions (the Department) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Department's financial activity, identify changes in the Department's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the Department's financial statements and notes which follow this section.

The Department's annual report consists of a series of financial exhibits and accompanying notes. The Statement of Net Position and the Statement of Activities provide information on the activities of the Department in the aggregate and present a longer-term view of the Department's finances. For governmental activities, these statements describe how services were financed in the short-term and what remains for future spending by the Department. Fund financial statements also report the Department's operations in more detail than the government-wide financial statements by providing additional information about the Department's major funds. A description of the Department's major funds is contained in Note 1 to the financial statements. The remaining statements provide financial information about activities for which the Department acts as an agent, primarily in the collection of funds related to wage claim assignments on employers that the Department's Labor Relations Division makes on behalf of employees and laborers.

Financial Highlights

**Table A-1
Comparative Statement of Total Net Position**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 159,386,904	\$159,494,745	\$ (107,841)	0%
Capital and non-current assets	37,614,279	42,633,562	(5,019,283)	-12%
Total assets	<u>\$ 197,001,183</u>	<u>\$202,128,307</u>	<u>\$ (5,127,124)</u>	-3%
Liabilities:				
Current liabilities	\$ 21,342,065	\$ 30,026,550	\$ (8,684,485)	-29%
Long-term obligations	-	-	-	0%
Total liabilities	<u>21,342,065</u>	<u>30,026,550</u>	<u>(8,684,485)</u>	-29%
Net assets:				
Net investment in capital assets	37,614,279	42,633,562	(5,019,283)	-12%
Restricted	138,343,625	131,931,760	6,411,865	5%
Unrestricted	(298,786)	(2,463,565)	2,164,779	-88%
Total net position	<u>175,659,118</u>	<u>172,101,757</u>	<u>3,557,361</u>	-95%
Total liabilities and net position	<u>\$ 197,001,183</u>	<u>\$202,128,307</u>	<u>\$ (5,127,124)</u>	-3%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Financial Highlights - continued

**Table A-2
Comparative Statement of Activities**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue:				
<u>Program Revenues by Major Sources</u>				
Governmental Activities:				
Employment Services:				
Charges for Services	\$ 3,481,715	\$ 6,671,086	\$ (3,189,371)	-48%
Operating Grants	49,430,232	60,303,234	(10,873,002)	35%
Total Gov. Activities Revenue	<u>52,911,947</u>	<u>66,974,320</u>	<u>(14,062,373)</u>	-21%
Business-Type Activities:				
Unemployment Activities:				
Charges for Services	220,176,308	221,158,780	(982,472)	0%
Operating Grants	47,056,016	124,332,490	(77,276,474)	-62%
Total Business-type Activities Revenue	<u>267,232,324</u>	<u>345,491,270</u>	<u>(78,258,946)</u>	-23%
Total Program Revenues by Major Sources	<u>320,144,271</u>	<u>412,465,590</u>	<u>(92,321,319)</u>	-22%
<u>General Revenues by Major Source</u>				
Governmental Activities				
State Appropriations	3,728,400	3,675,100	53,300	1%
Investment Earnings /Miscellaneous	289,595	1,650,374	(1,360,779)	100%
Other-Transfers in	900,000	1,000,000	(100,000)	-10%
Total Governmental Activities Revenue	<u>4,917,995</u>	<u>6,325,474</u>	<u>(1,407,479)</u>	-22%
Business-type Activities:				
Other Revenue				
Investment Earnings	1,566,007	1,897,461	(331,454)	-17%
Total Business-type Activities Revenues	<u>1,566,007</u>	<u>1,897,461</u>	<u>(331,454)</u>	-17%
Total General Revenues by Major Sources	<u>6,484,002</u>	<u>8,222,935</u>	<u>(1,738,933)</u>	-21%
Total Revenues by Major Sources	<u>326,628,273</u>	<u>420,688,525</u>	<u>(94,060,252)</u>	-22%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Financial Highlights - continued

Revenue

- Unemployment Activities experienced a reduction in revenue which coincides with the reduction in unemployment claims. These are presently at approximately 15,600 weekly claims, down from a year ago of approximately 21,000 weekly claims.
- Appropriations from the State General Fund increased from \$3,675,000 to \$3,728,400, or 1%.
- Other revenue sources remained fairly constant, although the Department continues to experience an overall decline in many federal grants.

	<u>FY 2014</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Expenses:				
<u>Program Expenses by Major Sources</u>				
Governmental Activities:				
Governmental	61,307,991	60,977,265	330,726	1%
Total Governmental Activities Expenses	<u>61,307,991</u>	<u>60,977,265</u>	<u>330,726</u>	1%
Business-type Activities:				
Unemployment Services	261,762,921	356,557,876	(94,794,955)	-27%
Total Business-type Activities Expenses	<u>261,762,921</u>	<u>356,557,876</u>	<u>(94,794,955)</u>	-27%
Total Program Expenses by Major Sources	<u>\$ 323,070,912</u>	<u>\$ 417,535,141</u>	<u>\$ (94,464,229)</u>	-23%

Expenses

The cost of business-type activities related to unemployment services actually decreased in fiscal year 2014. The Department paid out about 27% less unemployment benefits in fiscal year 2014 than in 2013. The costs for operations did increase overall from \$60,977,265 to \$61,307,991, or about 1%. This small increase was aided by the availability of Unemployment Insurance Automation, Supplemental Budget Request and AmeriCorps federal funding in 2014.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Financial Highlights - continued

	<u>FY 2014</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
<u>Change in Net Position</u>				
Governmental Activities:				
Beginning Net Position	\$ 53,943,502	\$ 41,620,973	\$ 12,322,529	30%
Change in Net Position	<u>(3,478,049)</u>	<u>12,322,529</u>	<u>(15,800,578)</u>	-128%
Ending Net Position	<u>50,465,453</u>	<u>53,943,502</u>	<u>(3,478,049)</u>	-6%
Business-type Activities:				
Beginning Net Position	118,158,255	127,327,400	(9,169,145)	-7%
Change in Net Position	<u>7,035,410</u>	<u>(9,169,145)</u>	<u>16,204,555</u>	-177%
Ending Net Position	<u>125,193,665</u>	<u>118,158,255</u>	<u>7,035,410</u>	6%
Ending Net Position	<u>\$ 175,659,118</u>	<u>\$ 172,101,757</u>	<u>\$ 3,557,361</u>	2.07%

Total Net Position

The Department's total ending net position increased by \$3,557,361, a 2.07% increase over fiscal year 2013. Net position attributable to government activities decreased by \$3,478,049, or a 6% decrease over the prior fiscal year. Net position attributable to business-type activities increased by \$7,035,410, or a 6% increase over the prior fiscal year.

The increase in net assets is due to:

- A general increase in expenditures; in addition to
- A decrease in unemployment claim activity.

Financial Analysis at the Fund Level

Governmental Funds

General Fund – Overall revenues and expenditures remained relatively consistent with prior year with a slight decline in federal funding. There was no change in fund balance from prior year.

Penalty and Interest Fund – Revenue in FY2014 decrease approximately by \$3,000,000 in current year. This was mostly due to the General Services Department paying approximately \$2,500,000 in penalty and interest charges in prior year that related to 2009 through 2013 employer tax charges. In the current year there was no large payment made and revenue is consistent with prior years. In the current year there was a transfer to the General Fund in the amount of \$1,021,795 to cover costs related to Union settlement liabilities.

Public Works Apprenticeship Training – Program overall revenues remained relatively consistent with prior year.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Financial Highlights - continued

Labor Enforcement Fund – Program had a decrease in revenue of approximately \$188,693 compared to prior year revenue.

ARRA Fund – Overall revenues and expenditures decreased substantially from prior year. There was no change in fund balance from prior year. This fund will not be used in future years due to the expiration of the American Recovery Act funding.

Capital Assets

**Table A-3
Capital Assets**

	<u>June 30, 2013</u>	<u>FY14 Additions</u>	<u>FY14 Disposals/ Transfers</u>	<u>June 30, 2014</u>
Assets:				
Office improvements	\$ 3,074,542	\$ -	\$ -	\$ 3,074,542
Vehicles	302,074	-	-	302,074
Office equipment	2,158,330	-	(77,029)	2,081,301
Furniture and fixtures	862,683	-	-	862,683
Computer equipment	44,496,962	2,843,169	-	47,340,131
WIP	-	-	-	-
Total acquired value	<u>50,894,591</u>	<u>2,843,169</u>	<u>(77,029)</u>	<u>53,660,731</u>
Accumulated depreciation:				
Office improvements	(933,255)	(231,947)	-	(1,165,202)
Vehicles	(75,518)	(30,207)	-	(105,725)
Office equipment	(2,057,116)	(6,173)	77,029	(1,986,260)
Furniture and fixtures	(407,858)	(59,031)	-	(466,889)
Computer equipment	(4,787,282)	(7,535,094)	-	(12,322,376)
Total accumulated depreciation	<u>(8,261,029)</u>	<u>(7,862,452)</u>	<u>77,029</u>	<u>(16,046,452)</u>
Net total	<u>\$ 42,633,562</u>	<u>\$ (5,019,283)</u>	<u>\$ -</u>	<u>\$ 37,614,279</u>

The Department of Workforce Solutions officially launched the new, fully-integrated Unemployment Insurance system on January 6, 2013, called u-FACTS. The system provides improved integrity, reporting capabilities and maintenance. In FY14, increases occurred in Computer Equipment due to the cost associated with the additional enhancements and cost of sustaining the system.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Financial Highlights - continued

Debt

The Department has no long-term debt.

General Fund Budgetary Highlights

The Department's overall General Fund Appropriations increased by \$53,300 in FY 2014 from FY 2013.

In FY 2013 the Department received a transfer in the amount of \$1,000,000 from the Workers Compensation Administration Department. In FY 2014, Workers Compensation transfer \$900,000 for the Labor Relations Division. The total original operating budget for the Department was \$77,251,600.

Changes in Federal Funding

The Department's federal revenues continue to experience declines in funding from its federal grant awards. The Department experienced an overall decline in federal awards for employment services, ARRA, and Unemployment Insurance, and Unemployment Insurance Administration Base from the United States Department of Labor, as well as most other grantors. The Workforce Investment Act funds realized a decrease in the amount of funding available as well as in the amount that is allowed to be used by the Department to administer the program.

Contract with the Southwest Area Workforce Development Board

The Department also contracted with the Southwest Area Workforce Development Board (SAWDB) to assist out-of-work adults and individuals who may have lost jobs to layoffs and plant closings to find training in new fields that are in demand by employers so that they may become employable again. These services are also funded through the Workforce Investment Act grant, which the SAWDB receives to provide job training opportunities to eligible individuals in the southwest quadrant of the State.

Unemployment Insurance Compensation Fund

According to the Department's current projections, the Unemployment Trust Fund, held with the U.S. Treasury, is projected to be solvent through 2015. Unemployment Compensation (UC) is a joint federal-state program financed by federal taxes under the Federal Unemployment Tax Act (FUTA) and by state payroll taxes under the State Unemployment Tax Act (SUTA). States levy their own payroll taxes on employers to fund regular UC benefits from the Unemployment Trust Fund and, if applicable, the states share of the Extended Benefit (EB) program.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Other Operating Highlights - continued

Economic Outlook

New Mexico's seasonally adjusted unemployment rate was 6.5 percent in October 2014, down from 6.6 percent in September and also down from 6.8 percent a year ago.

The rate of over-the-year job growth, comparing October 2014 with October 2013, was 1.1 percent, representing a gain of 9,100 jobs. Net job gains have been steadily increasing with October 2014 job growth having the broadest industrial base since August 2013. Nine industries are currently adding employment and four industries are losing jobs.

The economic climate of New Mexico is showing signs of cautious growth. This growth is supported by several state programs, that partner with small communities and/or small businesses statewide, to develop economic projects for job creation and private investment opportunities.

Contacting the Agency's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Joy Forehand, Deputy Cabinet Secretary
New Mexico Department of Workforce Solutions
Administrative Services Division
P.O. Box 1928
Albuquerque, New Mexico 87103

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 409,765	\$ 409,765
Cash held with U.S. Treasury	-	71,390,030	71,390,030
Investment in State General Fund Investment Pool	17,732,792	-	17,732,792
Due from other state agencies	900,146	-	900,146
Due from federal government	4,097,889	5,141,507	9,239,396
Due from governmental funds	-	19,588	19,588
Due from proprietary fund	211,978	-	211,978
Accounts receivable, net of allowance for uncollectibles	52,301	59,430,908	59,483,209
Capital assets, net	37,614,279	-	37,614,279
TOTAL ASSETS	\$ 60,609,385	\$ 136,391,798	\$ 197,001,183
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 3,607,591	\$ -	\$ 3,607,591
Accrued payroll and benefits	575,880	-	575,880
Benefits payable	-	5,856,202	5,856,202
Due to other state agencies	4,924,921	79,033	5,003,954
Due to governmental funds	-	211,978	211,978
Due to proprietary fund	19,588	-	19,588
Other accrued liabilities	47,923	-	47,923
Unearned revenue	-	5,050,920	5,050,920
Compensated absences, due within one year	968,029	-	968,029
Total liabilities	<u>10,143,932</u>	<u>11,198,133</u>	<u>21,342,065</u>
NET POSITION			
Net investment in capital assets	37,614,279	-	37,614,279
Restricted for:			
Unemployment insurance trust	-	125,193,665	125,193,665
Special revenue funds	13,149,960	-	13,149,960
Unrestricted	(298,786)	-	(298,786)
Total net position	<u>50,465,453</u>	<u>125,193,665</u>	<u>175,659,118</u>
TOTAL LIABILITIES AND NET POSITION	\$ 60,609,385	\$ 136,391,798	\$ 197,001,183

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
Workforce transition services	\$ 18,330,519	\$ -	\$ 15,710,885
Labor relations	3,668,466	-	222,950
Workforce technology	15,324,492	-	11,630,485
Business services	4,090,192	-	4,047,607
Program support	19,673,322	3,481,715	17,583,833
Other workforce initiatives	221,000	-	234,472
Total governmental activities	<u>61,307,991</u>	<u>3,481,715</u>	<u>49,430,232</u>
BUSINESS-TYPE ACTIVITIES			
Unemployment services	<u>261,762,921</u>	<u>220,176,308</u>	<u>47,056,016</u>
Total business-type activities	<u>261,762,921</u>	<u>220,176,308</u>	<u>47,056,016</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 323,070,912</u>	<u>\$ 223,658,023</u>	<u>\$ 96,486,248</u>

Net (Expenses) Revenue and Changes in Net Position

	Governmental Activities	Business-type Activities	Total
	\$ (2,619,634)	\$ -	\$ (2,619,634)
	(3,445,516)	-	(3,445,516)
	(3,694,007)	-	(3,694,007)
	(42,585)	-	(42,585)
	1,392,226	-	1,392,226
	<u>13,472</u>	<u>-</u>	<u>13,472</u>
	(8,396,044)	-	(8,396,044)
	<u>-</u>	<u>5,469,403</u>	<u>5,469,403</u>
	<u>-</u>	<u>5,469,403</u>	<u>5,469,403</u>
	(8,396,044)	5,469,403	(2,926,641)
General revenues:			
Investment earnings	1,089	1,566,007	1,567,096
Miscellaneous	288,506	-	288,506
Transfers in - State General			
Fund appropriations	3,728,400	-	3,728,400
Transfers in - Other	<u>900,000</u>	<u>-</u>	<u>900,000</u>
Total general revenues and transfers	<u>4,917,995</u>	<u>1,566,007</u>	<u>6,484,002</u>
CHANGE IN NET POSITION	(3,478,049)	7,035,410	3,557,361
NET POSITION, BEGINNING	<u>53,943,502</u>	<u>118,158,255</u>	<u>172,101,757</u>
NET POSITION, ENDING	<u>\$ 50,465,453</u>	<u>\$ 125,193,665</u>	<u>\$ 175,659,118</u>

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	Major Funds		
	32900	61300	61400
	General Fund	Penalty and Interest	Public Works Apprenticeship and Training
ASSETS			
Investment in State General Fund Investment Pool	\$ 2,897,136	\$ 11,540,500	\$ 1,053,602
Due from other funds	2,132,579	-	283,811
Due from enterprise funds	24,727	187,251	-
Due from other state agencies	900,000	-	-
Due from federal government	4,097,889	-	-
Other receivables	52,301	-	-
TOTAL ASSETS	\$ 10,104,632	\$ 11,727,751	\$ 1,337,413
LIABILITIES			
Accounts payable	\$ 3,602,854	\$ -	\$ 4,737
Accrued payroll and benefits	575,880	-	-
Due to other funds	283,811	2,132,579	-
Due to enterprise funds	-	19,588	-
Other accrued liabilities	47,923	-	-
Due to other state agencies	4,924,921	-	-
Total liabilities	<u>9,435,389</u>	<u>2,152,167</u>	<u>4,737</u>
FUND BALANCES			
Restricted for:			
Special Revenue Funds	-	9,575,584	1,332,676
Assigned	669,243	-	-
Total fund balances	<u>669,243</u>	<u>9,575,584</u>	<u>1,332,676</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,104,632	\$ 11,727,751	\$ 1,337,413

<u>71100</u> <u>Labor</u> <u>Enforcement</u> <u>Fund</u>	<u>89000</u> <u>ARRA</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 2,241,554	\$ -	\$ 17,732,792
-	-	2,416,390
-	-	211,978
146	-	900,146
-	-	4,097,889
-	-	52,301
<u>\$ 2,241,700</u>	<u>\$ -</u>	<u>\$ 25,411,496</u>
\$ -	\$ -	\$ 3,607,591
-	-	575,880
-	-	2,416,390
-	-	19,588
-	-	47,923
-	-	4,924,921
<u>-</u>	<u>-</u>	<u>11,592,293</u>
2,241,700	-	13,149,960
-	-	669,243
<u>2,241,700</u>	<u>-</u>	<u>13,819,203</u>
<u>\$ 2,241,700</u>	<u>\$ -</u>	<u>\$ 25,411,496</u>

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ <u>13,819,203</u>
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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:	53,660,731
Accumulated depreciation is:	<u>(16,046,452)</u>
 Total capital assets, net	 <u>37,614,279</u>

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

Compensated absences payable	<u>(968,029)</u>
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Net position of governmental activities (Statement of Net Position)	\$ <u>50,465,453</u>
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The accompanying notes are an integral part of the financial statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

	<u>Major Funds</u>		
	<u>32900</u>	<u>61300</u>	<u>61400</u>
	<u>General Fund</u>	<u>Penalty and Interest</u>	<u>Public Works Apprenticeship and Training</u>
REVENUES			
Interest on deposit/investments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal grant revenue	49,195,760	-	-
Penalties and interest	-	2,485,416	-
Public Works Apprenticeship and Training	-	-	651,603
Other revenue	288,506	-	-
Total revenues	<u>49,484,266</u>	<u>2,485,416</u>	<u>651,603</u>
EXPENDITURES			
Current:			
Workforce transition services	18,354,514	-	-
Labor relations	3,638,603	-	-
Workforce technology	9,902,140	-	-
Business services	3,971,628	-	-
Program support	19,457,297	-	-
Other workforce initiatives	221,000	-	-
Capital outlay	2,673,833	-	-
Total expenditures	<u>58,219,015</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,734,749)</u>	<u>2,485,416</u>	<u>651,603</u>
OTHER FINANCING SOURCES (USES)			
State General Fund Appropriation	3,728,400	-	-
Transfers in:			
Interfund	4,106,349	-	-
Other	900,000	-	-
Transfers out:			
Interfund	-	(3,229,845)	(771,720)
Other	-	-	-
Total other financing sources (uses)	<u>8,734,749</u>	<u>(3,229,845)</u>	<u>(771,720)</u>
NET CHANGES IN FUND BALANCES	-	(744,429)	(120,117)
FUND BALANCES, BEGINNING	<u>669,243</u>	<u>10,320,013</u>	<u>1,452,793</u>
FUND BALANCES, ENDING	<u>\$ 669,243</u>	<u>\$ 9,575,584</u>	<u>\$ 1,332,676</u>

71100 Labor Enforcement Fund	89000 ARRA	Total Governmental Funds
\$ 1,089	\$ -	\$ 1,089
344,696	-	344,696
-	234,472	49,430,232
-	-	2,485,416
-	-	651,603
-	-	288,506
<u>345,785</u>	<u>234,472</u>	<u>53,201,542</u>
-	-	18,354,514
-	-	3,638,603
-	-	9,902,140
-	-	3,971,628
-	-	19,457,297
-	65,136	286,136
-	169,336	2,843,169
<u>-</u>	<u>234,472</u>	<u>58,453,487</u>
<u>345,785</u>	<u>-</u>	<u>(5,251,945)</u>
-	-	3,728,400
-	-	4,106,349
-	-	900,000
(104,784)	-	(4,106,349)
<u>-</u>	<u>-</u>	<u>-</u>
<u>(104,784)</u>	<u>-</u>	<u>4,628,400</u>
241,001	-	(623,545)
<u>2,000,699</u>	<u>-</u>	<u>14,442,748</u>
<u>\$ 2,241,700</u>	<u>\$ -</u>	<u>\$ 13,819,203</u>

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS -
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) **\$ (623,545)**

Amounts reported for governmental activities in the Statement of Activities are different because:

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.

Capital outlay	2,843,169
Depreciation expense	<u>(7,862,452)</u>
Excess of capital outlay over depreciation expense	<u>(5,019,283)</u>
Change in compensated absence balance not recorded in the governmental funds	80,324
Decrease in contingency liability balance not recorded in the governmental funds	<u>2,084,455</u>
Change in net position of governmental activities (Statement of Activities)	\$ <u>(3,478,049)</u>

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal funds	\$ 82,781,500	\$ 68,191,940	\$ 49,195,760	\$ (18,996,180)
General funds	3,707,500	3,707,500	3,728,400	20,900
Other State funds	6,273,800	6,273,800	288,506	(5,985,294)
Inter-agency transfers	20,900	190,900	5,006,349	4,815,449
TOTAL REVENUES	\$ 72,783,700	\$ 78,364,140	\$ 58,219,015	\$ (20,145,125)
P-775 WORKFORCE TRANSITION SERVICES EXPENDITURES				
Personal services and benefits	\$ 17,006,800	\$ 17,006,800	\$ 14,446,233	\$ 2,560,567
Contractual services	1,703,900	1,703,900	1,018,012	685,888
Other costs	4,260,400	4,260,400	2,890,269	1,370,131
Other financing uses	-	-	-	-
TOTAL P-775 EXPENDITURES	\$ 22,971,100	\$ 22,971,100	\$ 18,354,514	\$ 4,616,586
P-776 LABOR RELATIONS EXPENDITURES				
Personal services and benefits	\$ 2,142,300	\$ 2,142,300	\$ 2,123,101	\$ 19,199
Contractual services	63,000	63,000	38,503	24,497
Other costs	1,419,700	1,589,700	1,476,999	112,701
Other financing uses	-	-	-	-
TOTAL P-776 EXPENDITURES	\$ 3,625,000	\$ 3,795,000	\$ 3,638,603	\$ 156,397
P-777 WORKFORCE TECHNOLOGY EXPENDITURES				
Personal services and benefits	\$ 3,173,700	\$ 3,731,068	\$ 3,371,336	\$ 359,732
Contractual services	4,053,000	8,890,717	7,770,865	1,119,852
Other costs	3,063,700	3,079,055	1,605,909	1,473,146
Other financing uses	-	-	-	-
TOTAL P-777 EXPENDITURES	\$ 10,290,400	\$ 15,700,840	\$ 12,748,110	\$ 2,952,730
P-778 BUSINESS SERVICES EXPENDITURES				
Personal services and benefits	\$ 2,113,500	\$ 2,113,500	\$ 1,552,159	\$ 561,341
Contractual services	126,600	126,600	86,219	40,381
Other costs	7,483,000	7,483,000	2,333,250	5,149,750
Other financing uses	-	-	-	-
TOTAL P-778 EXPENDITURES	\$ 9,723,100	\$ 9,723,100	\$ 3,971,628	\$ 5,751,472
P-779 PROGRAM SUPPORT EXPENDITURES				
Personal services and benefits	\$ 6,617,500	\$ 6,617,500	\$ 5,248,377	\$ 1,369,123
Contractual services	3,123,600	3,123,600	1,984,260	1,129,340
Other costs	16,212,000	16,212,000	12,214,661	3,997,339
Other financing uses	-	-	-	-
TOTAL P-779 EXPENDITURES	\$ 25,953,100	\$ 25,953,100	\$ 19,467,298	\$ 6,495,802

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
 STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS
 BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
 Year Ended June 30, 2014

GENERAL FUND - TOTAL (CONTINUED)				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Z-40612 PROGRAM SUPPORT EXPENDITURES				
Personal services and benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	221,000	221,000	221,000	-
Other costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL Z-40612 EXPENDITURES	\$ 221,000	\$ 221,000	\$ 221,000	\$ -
ALL EXPENDITURES				
Personal services and employee benefits	\$ 31,053,800	\$ 31,611,168	\$ 26,741,206	\$ 4,869,962
Contractual services	9,291,100	14,128,817	11,128,859	2,999,958
Other	32,438,800	32,624,155	20,521,088	12,103,067
Other financing uses	-	-	-	-
TOTAL ALL EXPENDITURES	\$ 72,783,700	\$ 78,364,140	\$ 58,391,153	\$ 19,972,987
NET CHANGE IN FUND BALANCE			(172,138)	
PRIOR YEAR REQUEST TO PAY PRIOR YEAR BILL WITH CURRENT FUNDS			172,138	
NET CHANGE IN FUND BALANCE			\$ -	

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

PENALTY AND INTEREST (61300)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General funds	-	-	-	-
Other state funds	-	-	2,485,416	2,485,416
Inter-agency transfers	-	-	-	-
Total revenues	-	-	2,485,416	2,485,416
Budgeted fund balance	<u>3,439,400</u>	<u>3,439,400</u>	<u>-</u>	<u>(3,439,400)</u>
Total revenues and budgeted fund balance	<u>\$ 3,439,400</u>	<u>\$ 3,439,400</u>	<u>2,485,416</u>	<u>\$ (953,984)</u>
 EXPENDITURES:				
Personal services and employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	<u>3,439,400</u>	<u>3,439,400</u>	<u>3,229,845</u>	<u>209,555</u>
Total expenditures	<u>\$ 3,439,400</u>	<u>\$ 3,439,400</u>	<u>3,229,845</u>	<u>\$ 209,555</u>
 NET CHANGE IN FUND BALANCE				
			<u>\$ (744,429)</u>	

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

PUBLIC WORKS APPRENTICESHIP AND TRAINING (61400)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General funds	-	-	-	-
Other state funds	-	-	651,603	651,603
Inter-agency transfers	-	-	-	-
Total revenues	-	-	651,603	651,603
Budgeted fund balance	949,300	1,119,300	-	(1,119,300)
Total revenues and budgeted fund balance	\$ 949,300	\$ 1,119,300	651,603	\$ (467,697)
EXPENDITURES:				
Personal services and employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	949,300	1,119,300	771,720	347,580
Total expenditures	\$ 949,300	\$ 1,119,300	771,720	\$ 347,580
NET CHANGE IN FUND BALANCE			\$ (120,117)	

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

LABOR ENFORCEMENT FUND (71100)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
General funds	-	-	-	-
Other state funds	-	-	345,785	345,785
Inter-agency transfers	-	-	-	-
Total revenues	-	-	345,785	345,785
Budgeted fund balance	300,200	300,200	-	(300,200)
Total revenues and budgeted fund balance	<u>\$ 300,200</u>	<u>\$ 300,200</u>	<u>345,785</u>	<u>\$ 45,585</u>
EXPENDITURES:				
Personal services and employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	300,200	300,200	104,784	195,416
Total expenditures	<u>\$ 300,200</u>	<u>\$ 300,200</u>	<u>104,784</u>	<u>\$ 195,416</u>
NET CHANGE IN FUND BALANCE			<u>\$ 241,001</u>	

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

ARRA (89000)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Federal funds	\$ 234,472	\$ 234,472	\$ 234,472	\$ -
General funds	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	<u>\$ 234,472</u>	<u>\$ 234,472</u>	<u>234,472</u>	<u>\$ -</u>
EXPENDITURES				
Personal services and benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other costs	234,472	234,472	234,472	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 234,472</u>	<u>\$ 234,472</u>	<u>234,472</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2014

	<u>20020</u> <u>Unemployment</u> <u>Insurance Trust</u> <u>Enterprise Fund</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 409,765
Cash held with U.S. Treasury	71,390,030
Due from governmental funds	19,588
Due from federal government	5,141,507
Accounts receivable, net of allowance for uncollectibles	<u>59,430,908</u>
TOTAL CURRENT ASSETS	<u>\$ 136,391,798</u>
CURRENT LIABILITIES	
Benefits payable	\$ 5,856,202
Due to governmental funds	211,978
Due to other state agencies	79,033
Unearned revenue	<u>5,050,920</u>
TOTAL CURRENT LIABILITIES	<u>11,198,133</u>
NET POSITION	
Restricted for:	
Unemployment insurance trust	<u>125,193,665</u>
Total net position	<u>125,193,665</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 136,391,798</u>

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUND
Year Ended June 30, 2014**

	2020 Unemployment Insurance Trust Enterprise Fund
OPERATING REVENUES	
Interest on investments	\$ 1,566,007
Employers taxes and reimbursements	215,699,345
CWC reimbursements	<u>4,476,963</u>
Total operating revenues	<u>221,742,315</u>
OPERATING EXPENSES	
Unemployment benefits distributed to beneficiaries	<u>261,762,921</u>
Total operating expenses	<u>261,762,921</u>
OPERATING INCOME (LOSS)	<u>(40,020,606)</u>
NON-OPERATING REVENUES	
Grants, contracts and federal reimbursements	<u>47,056,016</u>
Total non-operating revenues	<u>47,056,016</u>
CHANGE IN NET POSITION	7,035,410
TOTAL NET POSITION, BEGINNING	<u>118,158,255</u>
TOTAL NET POSITION, ENDING	<u>\$ 125,193,665</u>

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2014**

	<u>20020 Unemployment Insurance Trust Enterprise Fund</u>
CASH FLOWS PROVIDED BY (USED IN)	
OPERATING ACTIVITIES	
Cash received from employers and CWC reimbursements	\$ 218,570,272
Cash received from interest and principal in investments (trust fund earnings)	1,566,007
Cash paid for unemployment benefits	<u>(263,588,476)</u>
Cash provided by (used in) operating activities	<u>(43,452,197)</u>
CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	
Cash received from federal government	54,511,999
Transfer of unearned revenue to governmental funds	<u>(7,049,488)</u>
Cash provided by (used in) non-capital financing activities	<u>47,462,511</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,010,314
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>67,789,481</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 71,799,795</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (40,020,606)
Change in receivables	(1,606,036)
Change in payables	<u>(1,825,555)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (43,452,197)</u>

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND**

June 30, 2014

	<u>17800 Agency Fund</u>
ASSETS	
Investment in State General Fund Investment Pool	\$ <u>280,551</u>
TOTAL ASSETS	<u>\$ 280,551</u>
LIABILITIES	
Amounts held for others	\$ 3,468
Accounts payable	<u>277,083</u>
TOTAL LIABILITIES	<u>\$ 280,551</u>

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. NATURE OF ORGANIZATION

Organization

The State of New Mexico, Department of Labor (the Department) was established by the New Mexico Laws of 1987, Chapter 342, to administer all laws and exercise all functions formerly administered and exercised by the Employment Security Department (ESD), the Workmen's Compensation Administration, the Labor Commissioner and the Office of Human Rights Commission. These same laws abolished the ESD, the Workmen's Compensation Administration and the Labor Commissioner. All appropriations, equipment, supplies, records, personnel and money of the ESD, the Workmen's Compensation Administration, the Labor Commissioner and the office and staff of the Human Rights Commission were transferred to the Department effective July 1, 1987.

The Human Rights Commission and the Labor and Industrial Commission are administratively attached to the Department in accordance with the New Mexico Laws of 1987, Chapter 342, Section 8.

Effective January 1, 1991, pursuant to the Laws of 1990, Ch. 2 Sec. 146, all appropriations, equipment, supplies, records, personnel, appointees, contracts and money of the Worker's Compensation Division of the Labor Department were transferred to the Worker's Compensation Administration. Until June 30, 1993, the Worker's Compensation Administration remained administratively attached in that payroll and voucher payments were processed through the Department of Labor. Effective July 1, 1993, all processing of payments and reporting requirements for the Worker's Compensation Administration were transferred to the Department of Finance and Administration.

The Department is operated under the legislative authority of numerous New Mexico and Federal statutes, including the Wagner-Peyser Act of 1933, the Federal Unemployment Tax Act, Titles III, IX and XII of the Social Security Act, Title IV of the Social Security Act as amended by the Balanced Budget Act of 1997, Public Law 97-300, Job Training Partnership Act, and the New Mexico "Unemployment Compensation Law", Chapter 51, NMSA, 1978 Compilation, Public Law 105-220, and Accountability in Government Act (Sections 6-3A-1 through 6-3A-8, NMSA 1978).

Effective January 22, 2004, Executive Order 2004-004 established the Office of Workforce Training and Development (OWTD) and vested responsibility in it for the receipt, administration and oversight of expenditure of funds from all grants pursuant to the federal Workforce Investment Act of 1998. The Department was responsible for those grants up to the effective date of executive order 2004-004. However, the financial activity associated with the administration of those grants was recorded and tracked in the Department's internal accounting system through June 30, 2004, and were included in the Department's annual report for state fiscal year 2004. However, the separation of the operations of the OWTD from that of the Department was completed starting on July 1, 2005, when the OWTD established its own operating budget and chart of accounts on the Central Accounting System for vouchering, budgetary tracking and reporting purposes. The OWTD also acquired and implemented its own internal tracking system for recording and reporting financial activity associated with the administration of the WIA program.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. NATURE OF ORGANIZATION (CONTINUED)

During the 47th Legislative Session, House Bill 1280 was passed and the bill created the Department of Workforce Solutions in order to establish a single, unified department to administer all laws and exercise all functions administered by the New Mexico Department of Labor and the Governor's Office of Workforce Training and Development. This consolidation was effective July 1, 2007 (FY 2008).

In FY 2014, the Department was comprised of the following:

Office of the Secretary - The Secretary of the Department is responsible for all operations of the Department and administers and enforces the laws with which the Department is charged.

Administrative Services Division - This Division is responsible for finance, budget, internal audit, procurement, grants monitoring, and general services.

Workforce Transition Services - To administer an array of demand driven workforce development services to prepare New Mexicans to meet the needs of business. This program includes Work Services and Unemployment Insurance.

Business Services - To provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses. This program includes business development and outreach along with labor market information.

Labor Relations - To provide employment rights information and other work-site based assistance to employers and employees. This program is comprised of Labor and Industrial and Human Rights.

Workforce Technology - To provide and maintain effective and innovative information technology services for the agency and its service providers that enable management and utilization of the Department's operating systems and information technology architecture.

The Department received revenue mainly from the following sources:

Federal, state and local governments:

- Grants and contracts for administration of unemployment insurance, employment service and workforce training and development activities
- Reimbursements of benefits paid to federal claimants and for other special benefits applicable to other claimants
- Miscellaneous contracts and matching funds
- State General Fund appropriations
- Transfers from other state funds
- Employers of New Mexico
- Investment Income

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. NATURE OF ORGANIZATION (CONTINUED)

The Department expended the money for the following purposes:

- Payments to claimants for unemployment insurance benefits
- Operating and administrative costs including capital expenditures
- Payments to employers for apprenticeship training
- Workforce Investment Act activities, programs and administration

Reporting Entity

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 statement should be included with the financial statements of the State. The Department's financial statements contain no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. GASB Statement 34, Statement 37 and Statement 38 establish financial reporting requirements for state and local governments throughout the United States.

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. The Department's significant accounting policies are described below.

GASB Statement No. 65

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in June 2011 and effective for periods beginning after December 15, 2012. This statement redefines certain transactions that were previously reported as Assets and Liabilities and requires that they now be reported in new financial statement components as Deferred Outflows and Deferred Inflows. In some cases, items previously capitalized and amortized, such as debt issuance costs, are now expensed when incurred. In these instances, a prior period adjustment has been recorded as necessary. This guidance also requires that the use of the term "Deferred" be restricted to instances referring to Deferred Outflows and Deferred Inflows, which affects how we refer to items previously reported as deferred revenue. The Department implemented GASB 65 during the current fiscal year, which had no impact on the Department's financial statements.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The reporting model's focus is on either the Department as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

The net cost (by function) is normally covered by general revenues (intergovernmental revenues, interest income, etc.). The Department employs a cost allocation system based upon total payroll.

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major fund in the governmental category.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

The Department's fiduciary fund (agency fund) is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The Department has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance which must be appropriated by the legislature.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting

The accounts of the Department are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The various funds are summarized by type in the accompanying financial statements. The following fund types are used by the Department:

Governmental Funds - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

For FY 2014, the General Fund (SHARE Fund 32900) and the Employment Security Department Fund (Penalty and Interest Fund, SHARE Fund 61300) are required major funds; however, the Department has elected to present all governmental funds as major funds. The major governmental funds of the Department are as follows:

General Fund (SHARE Fund 32900) - The Department's General Fund is the operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund combines activities for all of the programs of the Department. The Department's General Fund is funded from appropriations from the State of New Mexico General Fund, special appropriations, Federal grants and other revenue.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Restricted or committed revenue sources are expected to continue to represent a substantial portion of the inflows reported in these funds.

Employment Security Department Fund (Penalty and Interest Fund, SHARE Fund 61300). This fund was created by Section 51-1-34, New Mexico Statutes Annotated 1978 Compilation, to account for the receipt and disbursement of penalties and interest imposed in the collection of unemployment insurance taxes. All money paid into this fund may be expended only pursuant to an appropriation by the Legislature or specific provision of law. The fund is non-reverting.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Works Apprenticeship and Training Fund (PWAT, SHARE Fund 61400). This fund was created by Section 13-4D-2, New Mexico Statutes Annotated 1978, effective May 20, 1992. Employer "contributions" are to be used to establish an apprenticeship program by the Bureau of Apprenticeship and Training of the U.S. Department of Labor and the NM Apprenticeship Council, per Section 13-4D-5A, NMSA 1978. The fund is non-reverting.

Labor Enforcement Fund (LEF, SHARE Fund 71100). This fund was created by Section 13-4-14.1, New Mexico Statutes Annotated 1978, effective May 19, 2004, to account for registration fees from contractors and subcontractors collected by the Labor and Industrial Division of the Department. All money in the fund is appropriated for the administration and enforcement of the Public Works Minimum Wage Act. The money in this fund does not revert to the General Fund at the end of a fiscal year. The fund was created by House Bill 1280 which merged the Office of Training and Development with the Department in FY 08.

ARRA Fund (SHARE Fund 89000). The American Recovery and Reinvestment Act (ARRA) Fund is used to track all ARRA program and administration expenditures separately from all other funding sources. Funding includes UI Modernization, UI Administration, Employment and Re-employment Services. This fund was established in 2009 and is a non-reverting fund. The fund was established for the Department by New Mexico Department of Finance and Administration and New Mexico Office of Recovery and Reinvestment in FY 09.

Proprietary Fund - The proprietary fund is used to account for the transactions of the unemployment insurance fund. This fund is considered major.

Unemployment Insurance Trust Enterprise Fund (SHARE Fund 20020). This fund is used to account for the unemployment insurance services (UI) of the Department. As the unemployment insurance fund of the State of New Mexico, it is classified as an enterprise fund. This is a non-reverting fund.

Fiduciary Fund (SHARE Fund 17800) – The fiduciary fund is used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Department. Agency funds are custodial in nature and do not involve measurement of results of operations. The Wage Claim Fund is an agency fund which is a holding account for wage claim assignments collected by the Department's Labor Relations Division (LRD) from employers, pending the final outcome of wage disputes filed by employees or employer(s). Upon resolution, amounts deposited into the Wage Claim Fund are disbursed to either the employee or employer as determined by the LRD Director. Only one fiduciary fund existed during the fiscal year.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized in the fiscal year for which the taxes are collected. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days).

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. There was no interest expense incurred during the year ended June 30, 2014.

The proprietary fund is accounted for 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. Interest on investments, employee taxes and reimbursements are considered operating revenues. All other services of revenue, such as grants, contracts and transfers, are considered non-operating revenues.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Department follows these procedures in establishing the budgetary data reflected in the financial statements for the agency:

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed in the notes to the financial statements. Legal budgetary control for expenditures and encumbrances is by category of the appropriation unit. The Department's unemployment insurance trust fund (SHARE Fund 20020) does not have a legally adopted budget.

Encumbrances

The Department uses encumbrances for certain balances that may be carried forward based on the appropriation language from Legislation. Encumbered funds that do not revert at the end of the appropriation period are re-budgeted in the new fiscal year. If the applicable appropriation extends beyond the end of the fiscal year, then the Department is permitted to carry forward the encumbrance into the new fiscal year. For the fiscal year ended June 30, 2014, the Department did not have any encumbrances presented in the financial statements.

Net Position/Fund Balance

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. The restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. The entire restricted net position balance reported on the statement of net position is restricted by enabling legislation.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent:

Nonspendable is amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Committed is that portion of fund balance that has been approved by the highest level of formal action of the Legislature and does not lapse at year-end. The Department does not have any committed fund balance this fiscal year.

Assigned fund balance has a use constraint imposed unilaterally by government separate from legislation creating the revenue source. This classification indicates the intent to use resources for a specific purpose, but is neither restricted nor committed.

Unassigned fund balance is the residual amount after all classifications have been considered. A positive unassigned fund balance will be reported in the General Fund only.

The Department of Workforce Solutions has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance which must be appropriated by the legislature.

Cash and Investments

Cash includes amounts in the demand deposits.

Investments with the State Treasurer in the State General Fund Investment Pool are stated at quoted market prices. Investments with the U.S. Treasury represent the Department's portion of the U.S. Treasury Department Unemployment Trust Fund Investment Pool (U.S. Treasury Pool). The Department does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

For the purpose of the proprietary fund statement of cash flows, cash equivalents are defined as investments with the U.S. Treasury Pool and cash on deposit with banks or the State Treasurer.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheets of the fund financial statements. Internal activity is eliminated at the government-wide statement of activities.

Capital Assets

Capital assets consist of tangible personal property having a value equal to or greater than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at historical cost. Capital assets are depreciated over their estimated useful life using the straight-line mid-month convention.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Salvage value is not included in the depreciation calculation.

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:

Computer equipment/Software	3-10 years
Office equipment	5 years
Furniture and fixtures	10 years
Vehicles	10 years
Office improvements	20 years

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, 2014.

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 not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2014.

Use of Estimates

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

NOTE 3. STATE GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, funds of various state agencies 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.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items was unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of DFA undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has implemented or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis; however, it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating any of the historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences will be reported in the State General Fund.

NOTE 4. INVESTMENT 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, 2014, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$ 18,013,343

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

**NOTE 4. INVESTMENT 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 means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

NOTE 5. CASH DEPOSIT ACCOUNTS AND INVESTMENTS

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts on page 55, in Wells Fargo Bank (WF) of \$854,645. These deposits represent cash balances associated with agency vouchering activities. FDIC coverage of \$250,000 is available for these deposits; collateral for the balance is provided by collateral pledged to the New Mexico State Treasurer to secure state deposits in accordance with 6-10-17 NMSA 1978. The Department also has deposits, as defined in the Schedule of Individual Deposit Accounts, of \$18,013,343 with the State Treasurer in the State General Fund Investment Pool. In addition, the Department has deposits held within the U.S. Treasury pool in the amount of \$71,390,030.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

Detail of pledged collateral specific to this agency is unavailable because the bank maintains pledged collateral for the state as a whole. However, the State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts (Schedule 2).

The New Mexico State Treasurer's Office is responsible to ensure that all accounts are collateralized at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved and the market value of purchased investments, which may differ from the cash deposited by the Department. Additional disclosures are the types of deposits and investments authorized by the New Mexico Constitution.

For a detailed listing of all agency bank accounts and State Treasurer SHARE accounts, refer to the Schedule of Individual Deposit Accounts (Schedule 1).

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5. CASH DEPOSIT ACCOUNTS AND INVESTMENTS (CONTINUED)

The amounts reported as investments with the U.S. Treasury are invested in an investment pool which is not subject to categorization. The differences between the bank balance and SHARE balance are the result of timing differences with posting and processing cash transactions.

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>June 30, 2013</u>	<u>FY14 Additions</u>	<u>FY14 Disposals</u>	<u>June 30, 2014</u>
Assets:				
Office improvements	\$ 3,074,542	\$ -	\$ -	\$ 3,074,542
Vehicles	302,074	-	-	302,074
Office equipment	2,158,330	-	(77,029)	2,081,301
Furniture and fixtures	862,683	-	-	862,683
Computer equipment	44,496,962	2,843,169	-	47,340,131
Total cost of capital assets	<u>50,894,591</u>	<u>2,843,169</u>	<u>(77,029)</u>	<u>53,660,731</u>
Accumulated depreciation:				
Office improvements	(933,255)	(231,947)	-	(1,165,202)
Vehicles	(75,518)	(30,207)	-	(105,725)
Office equipment	(2,057,116)	(6,173)	77,029	(1,986,260)
Furniture and fixtures	(407,858)	(59,031)	-	(466,889)
Computer equipment	(4,787,282)	(7,535,094)	-	(12,322,376)
Total accumulated depreciation	<u>(8,261,029)</u>	<u>(7,862,452)</u>	<u>77,029</u>	<u>(16,046,452)</u>
Net total	<u>\$ 42,633,562</u>	<u>\$ (5,019,283)</u>	<u>\$ -</u>	<u>\$ 37,614,279</u>

Land, buildings and automobiles used by the Department are not included in these financial statements due to the fact that the assets are included in the financial statements of the New Mexico General Services Department.

Depreciation expense was charged to functions as follows:

Workforce transition services	\$ 56,329
Workforce technology	7,506,807
Business services	53,428
Program support	216,025
Labor relations	29,863
Total	<u>\$ 7,862,452</u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7. UNEMPLOYMENT INSURANCE FUND – BENEFITS PAYABLE

A liability has been recorded for benefits claimed prior to but paid subsequent to June 30, 2014, consisting of the following:

Unemployment benefits	
Withholding benefits (due to Human Services Dept.)	\$ 79,033
Total	\$ 79,033

NOTE 8. UNEMPLOYMENT INSURANCE FUND - RECEIVABLES

Receivable:	
Current UI taxes	\$ 57,966,863
Benefit overpayments	79,322,726
Combined wage claimants (CWC)	<u>1,464,045</u>
Gross receivables	<u>138,753,634</u>
Less allowance for uncollectibles:	
Benefit overpayments	<u>(79,322,726)</u>
Total allowances	<u>(79,322,726)</u>
Net total receivables - fund level	<u>59,430,908</u>
Total	\$ 59,430,908

Current Unemployment Insurance (UI) Taxes

This amount represents UI taxes due from reimbursable and regular employers for quarters before and for the quarter ending June 30, 2014, which were collected subsequently. This amount is an estimate based upon a review of cash receipts subsequent to the end of the fiscal year.

Benefit Overpayments

This amount represents amounts due from claimants. These are derived from overpayment of benefits established as a result of an adjudicator's decision reversing an earlier award of benefits. An allowance for uncollectibles would usually be for an equal amount of accounts receivable. Although some past due accounts will be collected, no estimate has been made by the Department of the amount of collectible receivables.

Combined Wage Claimants

This amount represents amounts due from other states for benefit charges. It is reported in the financial statements net of the liability to the UI trust fund ledger.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9. OPERATING LEASES

The Department leases field office space and equipment under operating leases. Rental expenditures for land and buildings for the fiscal year ended June 30, 2014 were \$403,232. Rental expenditures for equipment for the fiscal year ended June 30, 2014 were \$220,034. The future minimum rental commitments as of June 30, 2014 were as follows:

Year Ended June 30, 2014:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2015	\$ 408,817	\$ 812,829	\$ 1,221,646
2016	415,500	201,074	616,574
2017	418,440	129,180	547,620
2018	421,468	89,471	510,939
2019	424,586	21,446	446,032
2020 and thereafter	<u>473,922</u>	<u>-</u>	<u>473,922</u>
Net total	<u>\$ 2,562,733</u>	<u>\$ 1,254,000</u>	<u>\$ 3,816,733</u>

NOTE 10. COMPENSATED ABSENCES

The changes to compensated absences are as follows:

	<u>Balance, June 30, 2013</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance, June 30, 2014</u>
Sick and annual leave	\$ 1,048,353	\$ 951,327	\$ (1,031,651)	\$ 968,029
Net total	<u>\$ 1,048,353</u>	<u>\$ 951,327</u>	<u>\$ (1,031,651)</u>	<u>\$ 968,029</u>

\$968,029 of the compensated absences is considered due within one year. Compensated absences are liquidated with resources from the Department's General Fund (SHARE Fund 32900).

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables reflect short-term (current) borrowings among the Department's funds in the normal course of business. The Department has the following interfund receivables and payables between its funds at June 30, 2014.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Due to Other Funds						
SHARE Fund Name	SHARE Fund No.	General Fund (32900)	Penalty & Interest (61300)	Public Works Apprenticeship and Training (61400)	Enterprise Fund (20020)	Total
Enterprise Fund	20020	\$ 24,727	\$ 187,251	-	-	\$ 211,978
General Fund	32900	-	-	283,811	-	283,811
Penalty & Interest	61300	2,132,579	-	-	19,588	2,152,167
Total		\$ 2,157,306	\$ 187,251	\$ 283,811	\$ 19,588	\$ 2,647,956

NOTE 12. DUE FROM AND DUE TO OTHER AGENCIES

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements which make up the due from and due to other state agencies. The due from and due to other agencies balances at June 30, 2014 consist of the following:

Due From Other State Agencies

DWS Fund No.	Agency	Other Agency's Fund No.	Amount
32900	Worker's Compensation Administration	98200	\$ 900,000
71100	State Treasurer's Office	74100	146
Total			\$ 900,146

Due To Other State Agencies

DWS Fund No.	Agency	Other Agency's Fund No.	Amount
20020	New Mexico Human Services Department	05200	\$ 79,033
32900	State General Fund *	85200	4,924,921
Total			\$ 5,003,954

* The amount payable to the State General Fund of \$4,924,921 represents a payable established in a prior fiscal year which was determined to be an amount erroneously credited to the Department in a prior fiscal year. The Department has determined the funds not to be those of the Department and has appropriately transferred this amount to the State General Fund subsequent to year-end. This amount transferred does not represent a reversion.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13. ACCUMULATED UNUSED/UNPAID ANNUAL AND SICK LEAVE

The Department changed, in a prior year, its method of accumulating annual and sick leave from a day method to an hourly method based on length of civil services. Personnel employed prior to April 14, 1990, accrue annual leave at a different rate than personnel employed on or after April 14, 1990. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January.

Annual leave may not be used before it is accrued. When employees terminate, except for a reduction in force, they are compensated for accumulated unpaid leave up to a maximum of 240 hours at their current hourly rate. Employee separating due to a reduction in force will receive all accrued annual leave at their current hourly rate.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. Sick leave may not be used before it is accrued. There is no limit to the amount of sick leave that an employee may accumulate.

Per New Mexico State Personnel Board Rules and Regulations, employees who have accumulated more than 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay-period in July.

NOTE 14. SURETY BOND

Since September 1, 1987 through the present, surety bond coverage for the Department has been provided through the State of New Mexico's self-insured statewide policy, which is administered by the Risk Management Division of the General Services Department. The surety bond covers all officers and employees of the State of New Mexico for faithful performance, theft and embezzlement of money. The amount of coverage is \$1,050,000 per occurrence.

NOTE 15. PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

Plan Description

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 15. PENSION PLAN – PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION
(Continued)

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department’s contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,820,129, \$2,716,610 and \$2,346,352, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 16. REVERSIONS

The Department had no reversions for the year ended June 30, 2014.

NOTE 17. UNEARNED REVENUE

The Department’s unearned revenue in Fund 20020 as of June 30, 2014 consisted of the following:

UI Modernization - ARRA	\$	21
Reed Act		4,587,581
Employer Prepayments		<u>463,318</u>
Total	\$	<u>5,050,920</u>

NOTE 18. TRANSFERS

Transfers occurring during fiscal year June 30, 2014 are as follows:

Inter-fund transfers consist of the following:

<u>Fund</u>	<u>Governmental Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
32900	General Fund	\$ 4,106,349	\$ -
61300	Penalty and Interest	-	3,229,845
61400	Public Work Apprenticeship and Training	-	771,720
71100	Labor Enforcement Fund	<u>-</u>	<u>104,784</u>
	Total inter-fund transfers	<u>\$ 4,106,349</u>	<u>\$ 4,106,349</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 18. TRANSFERS (CONTINUED)

The inter-fund transfers that occurred during fiscal year ended June 30, 2014 represent transfers from Special Revenue Funds for FY14 appropriations.

Inter-agency transfers consist of the following:

<u>Agency</u>	<u>Fund</u>	<u>Governmental Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
63200	98200	Worker's Compensation Administration	\$ 900,000	\$ -
Total inter-agency transfers			\$ 900,000	\$ -

The inter-agency transfer from Worker's Compensation Administration is an appropriation.

NOTE 19. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 19. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$341,056, \$360,127 and \$308,643, respectively, which equal the required contributions for each year.

NOTE 20. RISK MANAGEMENT

The Department is exposed to various risks of loss for which the Department is insured (auto, employee fidelity bond, general liability, civil rights, foreign jurisdiction, money and securities, property, worker's compensation) with the State of New Mexico's General Services Department/Risk Management Division.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 21. FUND BALANCE CLASSIFICATIONS

The Department'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 formal action of the Legislative and Executive branches; 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. A summary of the nature and purpose of these reserves by fund type at June 30, 2014 follows:

	<u>Major Fund</u>	<u>Special Revenue Fund</u>	<u>Special Revenue Fund</u>	<u>Special Revenue Fund</u>
	General Fund (32900)	Penalty and Interest (61300)	Public Works Apprenticeship and Training (61400)	Labor Enforcement Fund (71100)
Fund balances:				
Restricted for:				
Special Revenue Funds,				
per Section 51-1-34 NMSA 1978	\$ -	\$ 9,575,584	\$ -	\$ -
per Section 13-4-14.1 NMSA 1978	-	-	-	2,241,700
Public Works Apprenticeship & Training per Section 13-4D-2	-	-	1,332,676	-
Assigned *	<u>669,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 669,243</u>	<u>\$ 9,575,584</u>	<u>\$ 1,332,676</u>	<u>\$ 2,241,700</u>

* The assigned fund balance remaining within the General Fund (32900) relates to residual unexpended fund balance from the special revenue funds to be expended for operations in fiscal year 2015.

NOTE 22. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 22. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

impact of this pronouncement on its financial statements. GASBS No. 68 will require the Department to record its proportionate share of the unfunded pension plan liabilities in the New Mexico State Retirement System and other plans. Although the amount of the liability is unknown, it is presumed to be material.

In January 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact of this pronouncement on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combination includes* a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact (if any) of this pronouncement on its financial statements.

This information is an integral part of the accompanying financial statements.

OTHER SUPPLEMENTAL SCHEDULES AS REQUIRED BY SECTION 2.2.2 NMAC

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 1 - SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
June 30, 2014

Account Title	Depository	Balance per Bank	Adjustments/ Reconciling Items	Reconciled Balance per Books
Governmental Funds with State Treasurer (with SHARE fund numbers):				
General Fund - 32900	State Treasurer	\$ 2,897,136	\$ -	\$ 2,897,136
ARRA - 89000	State Treasurer	-	-	-
Penalty and Interest - 61300	State Treasurer	11,540,500	-	11,540,500
PWAT - 61400	State Treasurer	1,053,602	-	1,053,602
Labor Enforcement Fund - 71100	State Treasurer	2,241,554	-	2,241,554
Total Governmental Funds with State Treasurer		<u>17,732,792</u>	<u>-</u>	<u>17,732,792</u>
Proprietary Funds Cash in Banks				
Benefit Account - 20020	Wells Fargo	6,162	-	6,162
V Warrant Account - 20020	Wells Fargo	-	(410,022)	(410,022)
Clearing Account - 20020	Wells Fargo	765,745	-	765,745
H Warrant Account - 20020	Wells Fargo	-	(34,858)	(34,858)
Cash Security Deposit Account - 20020	Wells Fargo	82,738	-	82,738
Total Proprietary in Banks		<u>854,645</u>	<u>(444,880)</u>	<u>409,765</u>
Proprietary Funds Cash - Other				
Unemployment Trust Fund - 20020	U.S. Dept. of Treasury	71,390,030	-	71,390,030
Total Proprietary Other		<u>71,390,030</u>	<u>-</u>	<u>71,390,030</u>
Total Funds (excluding Agency Fund)		<u>89,977,467</u>	<u>(444,880)</u>	<u>89,532,587</u>
Trust and Agency Funds with State Treasurer (with SHARE fund numbers):				
Wage Claim - 17800	State Treasurer	280,551	-	280,551
Total Trust and Agency with State Treasurer		<u>280,551</u>	<u>-</u>	<u>280,551</u>
Department Total - All Funds		<u>\$ 90,258,018</u>	<u>\$ (444,880)</u>	<u>\$ 89,813,138</u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 2 - SCHEDULE OF PLEDGED COLLATERAL
June 30, 2014

	<u>Wells Fargo</u>	<u>U.S. Department of the Treasury</u>	<u>Accounts at State Treasurer</u>	<u>Total</u>
Total amount of deposit	\$ 854,645	\$ 71,390,030	\$ 18,013,343	\$ 90,258,018
Less FDIC	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Total uninsured public money	604,645	71,390,030	18,013,343	90,008,018
50% collateral requirement	302,323	35,695,015	9,006,672	45,004,010
State Agency Collateral Listing	A	B	C	A&B&C
Total pledged	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Over (under) pledged	A	B	C	A&B&C

A: Collateral for the balance is provided by the collateral pledged to the New Mexico State Treasurer to secure state deposits in accordance with 6-10-17 NMSA 1978. Detail of pledged collateral to this agency is unavailable, as the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office of Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

B: The Department maintains a cash equivalent account, the Unemployment Trust Fund, with the United States Department of the Treasury. Deposits to this account include contributions received from employers and withdrawals from this account are used for the payment of state unemployment benefits. The deposits are guaranteed by the full faith and credit of the United States government.

C: This amount is held at the New Mexico State Treasurer and is detailed in the report of the Office of the State Treasurer, whose audit is covered by a separate report. Detail specific for the collateral is commingled by the Office of the State Treasurer, and they monitor the adequacy of the funds pledged for collateral to ensure they are fully covered as required by the Laws of the State of New Mexico and related statutes. For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report for the State Treasurer's Office. The New Mexico State Treasurer's Office is not rated.

Custodian: Federal Home Loan Bank, Dallas
Name Security in: New Mexico State Treasurer

The deposits are fully secured since they are in the name of the New Mexico State Treasurer and are held at a separate depository institution that is not affiliated with the depository institution.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
 SCHEDULE 3 - SCHEDULE OF SPECIAL APPROPRIATIONS
 June 30, 2014

Description	Laws	Appropriations		Amount Budgeted in FY14	Amount Expended in FY14	Balance
		Expiration	Amount			
UI System Development Z40612	Laws 2014 Section 6 #12	2014	\$ 221,000	\$ 221,000	\$ 221,000	\$ -
Outstanding balance						\$ -

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 4 - SCHEDULE OF MEMORANDA OF UNDERSTANDING
Year Ended June 30, 2014**

The following is a list of Memoranda of Understanding the Department has entered into:

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion
			Beginning	Ending		
NM Higher Education Department	Data Sharing FERPA Agreement	N/A	6/30/2012	6/30/2014	\$ -	\$ -
NM Children, Youth and Families Department	Data Sharing FERPA Agreement	N/A	6/30/2012	6/30/2014	\$ -	\$ -
NM Department of Health	Data Sharing FERPA Agreement	N/A	6/30/2012	6/30/2014	\$ -	\$ -
Isleta Business Corporation	Data Sharing User Access Agreement	N/A	6/30/2013	3/25/2016	\$ -	\$ -
Human Services Department	Data Sharing User Access Agreement	N/A	10/20/2012	10/20/2015	\$ -	\$ -
New Mexico Tax and Revenue Division	Data Sharing User Access Agreement	N/A	2/20/2013	2/19/2016	\$ -	\$ -
New Mexico Tax and Revenue Division	Information Exchange	N/A	11/6/2012	11/5/2015	\$ -	\$ -
Dept. of Justice - US Attorney	Data Sharing User Access Agreement	N/A	11/27/2012	11/26/2015	\$ -	\$ -

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 4 - SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)
Year Ended June 30, 2014

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion
			Beginning	Ending		
Human Services Division	Data Sharing User Access Agreement	N/A	11/27/2012	11/26/2015	\$ -	\$ -
Children, Youth and Families Department	Data Sharing User Access Agreement	N/A	12/17/2012	12/16/2015	\$ -	\$ -
New Mexico Corrections Department	Data Sharing User Access Agreement	N/A	12/4/2012	12/4/2015	\$ -	\$ -
Florida Department of Economic Opportunity	Data Sharing User Access Agreement	N/A	12/10/2012	12/9/2015	\$ -	\$ -
Social Security Administration	Information Exchange	N/A	8/24/2012	8/23/2017	\$ -	\$ -
Central New Mexico Community College	Data Sharing User Access Agreement	N/A	9/19/2012	9/18/2015	\$ -	\$ -
Social Security Administration	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2017	\$ -	\$ -
New Mexico Division of Vocational Rehabilitation	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2015	\$ -	\$ -
Workers Compensation Administration	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2015	\$ -	\$ -

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 4 - SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)
Year Ended June 30, 2014

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion
			Beginning	Ending		
Railroad Retirement Board	Data Sharing User Access Agreement	N/A	9/28/2012	3/28/2015	\$ -	\$ -
Eastern Area Workforce Board by Employment and Economic Information Center of New Mexico LLC (EEICNM)	IT Service and Support	NMDWS	10/31/2012	10/30/2014	\$ -	\$ -
Eastern Area Workforce Board	Resource Sharing Agreement	NMDWS		Ongoing	\$ 47,220	\$ 124,178
Northern Area Workforce Board	Resource Sharing Agreement	NMDWS		Ongoing	\$ 57,200	\$ 179,915
Southwest Area Workforce Board	Resource Sharing Agreement	NMDWS		Ongoing	\$ 20,709	\$ 54,610
Workforce Connection of Central New Mexico Board	Resource Sharing Agreement	NMDWS		Ongoing	\$ 168,030	\$ 259,923

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 5 - SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
June 30, 2014

	<u>Balance, June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2014</u>
ASSETS				
Investment in State General Fund Investment Pool	\$ 278,264	\$ 7,267	\$ (4,980)	\$ 280,551
TOTAL ASSETS	<u>\$ 278,264</u>	<u>\$ 7,267</u>	<u>\$ (4,980)</u>	<u>\$ 280,551</u>
LIABILITIES				
Amounts held for others	\$ 135,711	\$ 7,267	\$ (4,980)	\$ 137,998
Accounts payable	142,553	-	-	142,553
TOTAL LIABILITIES	<u>\$ 278,264</u>	<u>\$ 7,267</u>	<u>\$ (4,980)</u>	<u>\$ 280,551</u>

SINGLE AUDIT

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of Labor:		
Labor Force Statistics	17.002	\$ 683,108
Unemployment Insurance	17.225	285,327,240
ARRA Unemployment Insurance	17.225	234,472
Trade Adjustment Assistance Workers	17.245	2,534,856
Work Opportunity Tax Credit Program	17.271	121,918
Temporary Labor Certification for Foreign Workers	17.273	66,895
Workforce Investment Act National Emergency Grants	17.277	358,018
Homeless Veterans' Reintegration Project	17.805	16,500
Employment Service Cluster:		
Employment Services	17.207	6,332,626
Disabled Veteran's Outreach Program	17.801	416,958
Local Veteran's Employment Representative Program	17.804	479,781
Workforce Investment Act Cluster:		
Workforce Investment Act Adult Program	17.258	3,781,114
Workforce Investment Act Youth Activities	17.259	4,049,220
Workforce Investment Act Dislocated Workers	17.278	4,912,099
Total U.S. Department of Labor		<u>309,314,805</u>
U.S. Equal Employment Opportunity Commission:		
Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	239,224
Total U.S. Equal Employment Opportunity Commission		<u>239,224</u>
U.S. Corporation for National and Community Service:		
State Commissions	94.003	167,843
AmeriCorps	94.006	1,471,281
Total U.S. Department of Health and Human Services		<u>1,639,124</u>
Total Federal Awards Expended		<u>\$ 311,193,153</u>
Reconciliation to the Financial Statements		
Governmental Funds - Federal Revenue		\$ 49,430,232
Proprietary Funds - Federal Revenue		47,056,016
Total Federal Revenue		<u>96,486,248</u>
Unemployment Benefit Distributions from State Trust Fund		214,706,905
Total		<u>\$ 311,193,153</u>
Reconciliation of Unemployment Benefit Distributions to the Financial Statements		
Unemployment Benefit Distributions from State Trust Fund		\$ 214,706,905
Unemployment Benefit Distributions from Federal Program Accounts		47,056,016
Total Unemployment Benefit Distributions		<u>\$ 261,762,921</u>

See Notes to the Schedule of Expenditures of Federal Awards.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

GENERAL

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Department.

BASIS OF ACCOUNTING

The accompanying Supplemental Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Department's general purpose financial statements except for the subrecipient disbursements, which are reported on a cash basis.

NON-CASH ASSISTANCE

The Department did not receive any federal non-cash assistance during the year ended June 30, 2014.

LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2014.

UNEMPLOYMENT INSURANCE EXPENDITURES FROM STATE UNEMPLOYMENT COMPENSATION

The unemployment compensations system is a unique federal-state partnership, founded upon federal law but implemented through state law. Expenditures reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$261,762,921.

REED ACT APPROPRIATIONS

The Department receives appropriations under the Reed Act. These monies are to be spent for activities related to the unemployment insurance program. Included in the total expenditures for the unemployment insurance program (CFDA No. 17.225) is \$234,472 related to the UI Mod.

EMPLOYMENT SERVICE (ES) CLUSTER – US DEPARTMENT OF LABOR

ES Cluster includes:

Employment Services	17.207
Disabled Veterans' Outreach	17.801
Local Veterans' Employment Representative	17.804

WORKFORCE INVESTMENT ACT (WIA) CLUSTER – US DEPARTMENT OF LABOR

WIA Cluster includes:

WIA-Adult	17.258
WIA-Youth	17.259
WIA-Dislocated	17.278

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2014**

SUBRECIPIENTS

The Department views the following boards as subrecipients of WIA cluster programs. The pass-through Federal support to the boards is part of the expenditures of the WIA cluster.

1. The Northern Area Local Workforce Development Board (NALWDB/53895) is one of four regional workforce boards established in compliance with the Workforce Investment Act (WIA) of 1999 and certified by the New Mexico Governor. WIA funds are allocated in three subparts: Adult, Dislocated Worker and Youth. The board received the following Federal support through the Department in fiscal year 2014:

WIA-Adult	\$	623,507
WIA-Youth	\$	602,972
WIA-Dislocated	\$	1,075,185

2. The Employment & Economic Information Center (EEIC/84362) is the administrative entity and fiscal agent for the Eastern Area Board of the county and municipal governments within the seven counties of Planning and Development District IV. The EEIC is an organization for local governments. It assists in planning for common needs and coordinating of the sound regional development. The board received the following Federal support through the Department in fiscal year 2014:

WIA-Adult	\$	606,847
WIA-Youth	\$	555,722
WIA-Dislocated	\$	594,869

3. The Mid Regional Council of Governments is the administrative entity and fiscal agent of the New Mexico Workforce Connection (WCCNM/9289) in the central region of the state (Bernalillo, Tarrant, Sandoval and Valencia Counties). The WCCNM works to support industries help businesses become competitive and profitable, and grow workers who are skilled and productive. The board received the following Federal support through the Department in fiscal year 2014:

WIA-Adult	\$	1,440,901
WIA-Youth	\$	1,678,575
WIA-Dislocated	\$	1,933,321
OJTNEG	\$	358,018

4. The Southwest Area Workforce Development Board (SAWDB/9293) is the southwest region's workforce agency that helps hundreds of employers connect with thousands of job seekers each year. The agency offers innovative solutions to assist businesses to succeed in today's highly competitive workforce, while providing the tools job seekers need to find or advance in their current careers. The board received the following Federal support through the Department in fiscal year 2014:

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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WIA-Adult	\$	577,979
WIA-Youth	\$	911,882
WIA-Dislocated	\$	524,941

5. The subrecipients of AmeriCorps received the following Federal support through the Department in fiscal year 2014:

Playworks Education Energized (93356) Playworks works in some of the most conflicted areas of the United States to ensure that children have access to safe, healthy schools, which results in better performance.

AmeriCorps Formula	\$	1,817
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Earth Care International (12741) Earth Care is a leader in advocating for young people's voices and contributions in decision-making about our community's future.

AmeriCorps Formula	\$	144,355
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Rio Grande Community Farm RGCF (81011) RGCF is an agricultural jewel in the center of Albuquerque. Open to all, the Farm provides city dwellers with rural experiences: growing food for their families or for needy members of the community, learning about agriculture and the area's history and walking the historic acequias.

AmeriCorps Formula	\$	33,115
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NM Highlands University (54423) The vision of New Mexico Highlands University to provide an inspiring multicultural learning environment that promotes excellence, empowerment, transformation, and global understanding.

AmeriCorps Formula	\$	57,277
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Teach for America Inc. (57399) Teach for America's is corps members and alumni are helping lead an educational revolution in low-income communities across the country.

AmeriCorps Formula	\$	37,890
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San Juan County Partnership (50854) San Juan County Partnership is a community action agency, facilitating collaboration and resource identification and sharing. The Partnership provides prevention programming for youth and families; raises the awareness of prevention efforts; supports community planning activities and projects; serves as a forum for community input, networking and resource sharing; and, administers local and statewide programs.

AmeriCorps Formula	\$	3,840
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ECO Servants (9356) To directly engage the community through service towards a more sustainable future.

AmeriCorps Formula	\$	132,287
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NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
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NM Department of Corrections (7140) New Mexico Department of Correction is committed to the safety and well-being of the people of New Mexico by doing the right thing, always.

AmeriCorps Formula	\$	15,645
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NM School for the Deaf (54438) The mission of the New Mexico School for the Deaf (NMSD), New Mexico's first public school, is to provide for the unique needs of children and students who are deaf/hard of hearing, their families, and professional partners by providing a comprehensive array of school and statewide programs.

AmeriCorps Formula	\$	69,128
AmeriCorps Fix	\$	27,622

The Wellness Coalition (50591) Dedicated to improving the quality of life of the people of southwest New Mexico by bringing resources and programs to the area.

AmeriCorps Formula	\$	174,660
AmeriCorps Competitive	\$	80,670

Avance Inc. (88824) Avance is a national nonprofit dedicated to providing innovative education and family support services to at-risk, impoverished families since 1973.

AmeriCorps Competitive	\$	34,754
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Rocky Mountain Youth Corps (50703) The Rocky Mountain Youth Corps provides training and community service opportunities for a diverse population of New Mexico-area.

AmeriCorps Competitive	\$	473,894
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Families and Youth Inc. (47544) The mission of Families and Youth Inc. is to promote a safer, healthier community by assisting children and families in strengthening their relationships, preserving the family unit, establishing community partnerships, and enhancing the availability of human resources.

AmeriCorps Formula	\$	119,937
AmeriCorps Competitive	\$	33,490

Rio Grande Educational Collaborative RGEC (53575) The mission of RGEC is to leverage resources and opportunities to create a continuum of services to support the social and academic dreams of children, their families and their communities.

AmeriCorps Competitive	\$	23,000
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**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
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National Indian Youth (49671) The National Indian Youth Council, Inc. (NIYC) was founded in 1961 and has members nationwide. NIYC is a not-for-profit Indian rights organization and works with the USA and throughout the Western Hemisphere to establish and reserve the rights of Indian people.

AmeriCorps Competitive	\$	7,900
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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

Celina Bussey, Cabinet Secretary
New Mexico Department of Workforce Solutions and
Mr. Hector Balderas
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and each major special revenue fund of the New Mexico Department of Workforce Solutions (the Department), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 12, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2014-002).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (2013-004).

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

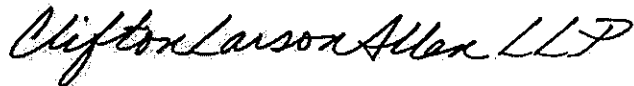
The Department's Responses to Findings

The Department's responses to the 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 the financial statements and, accordingly, we express no opinion on them.

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
December 12, 2014



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Celina Bussey, Cabinet Secretary
New Mexico Department of Workforce Solutions and
Mr. Hector Balderas
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Department of Workforce Solution's (the Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items (2008-003, 2012-001 and 2014-001). 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items (2008-003, 2012-001 and 2014-001), that 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 12, 2014

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA

Number(s)	Name of Federal Program or Cluster
17.225	U.S Department of Labor – UI Administration
ES Cluster:	
17.207	Employment Services
17.801	Disables Veterans' Outreach Program
17.804	Local Veterans' Employment Representative
WIA Cluster:	
17.258	WIA Adult
17.259	WIA Youth
17.278	WIA Dislocated

Dollar threshold used to distinguish between type A and type B programs \$3,000,000

Auditee qualified as low-risk auditee? yes no

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section II Financial Statement Findings

2014-002 UI Financial Reporting and Accounting (Material Weakness)

Condition: During 2013, the Department implemented a new UI Tax and Claims System (uFACTS), which was a significant upgrade to the legacy systems previously used by the Department for calculating employer taxes and processing unemployment claims. Due the fact that the Department recently implemented the uFACTS system and that it was the first of its kind among other states, the Department continues to test the various transaction processing of the system and as a result has identified system deficiencies. During the period under audit, the following are the most significant issues identified as it relates to the uFACTS system, as well as the related financial reporting and accounting within the UI fund as a result of the uFACTS system:

- Due to inaccurate automated system entries posted to the UI fund and P&I fund, adjustments to accounts receivable totaled approximately \$13.2m and adjustments to other liabilities totaled approximately \$4.2m.
- The Department has not established the necessary reports or queries from the system to report timely financial information required to prepare the Department's financial statements.
- Due to the new system implementation, federal withholding and child support withholding were not being drawn from the federal program; instead they were drawn from the State Unemployment Trust Fund. In addition, overpayment offsets were credited to the State Unemployment Trust Fund when they should have been reimbursed to the applicable federal programs. As a result, the Department has established a receivable from the federal program accounts in the amount of approximately \$4.6m as of June 30, 2014.

Criteria: Per Rule 2.20.5.8.C(7) NMAC, all subsidiary systems shall record transactions timely, completely, and accurately, and the agency shall reconcile the subsidiary systems' transactions to the corresponding SHARE general ledger accounts daily. Per 42 USC 503(a) (1), a system output that can provide accurate charge and collection data should be in place to ensure reliable reporting.

Cause: The uFACTS is the first system of its kind to be implemented and has been in use for a short period of time, in which the Department continues to work with the software developers to resolve the issues as they become aware of such issues. The Department has not yet developed and/or tested the appropriate reports required for the Department's monthly and annual financial reporting.

Effect: Possible misstatements to the financial statements, as well as possible inaccurate payments and/or program draws.

Recommendation: The Department should continue to test the system and make it a priority to resolve system deficiencies as identified by the Department. The Department should make it a high priority to develop and adequately test the necessary monthly and financial reports generated from the system.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section II Financial Statement Findings (continued)

2014-002 UI Financial Reporting and Accounting (Material Weakness) (continued)

Management's Response: The UIT Tax and Claims System has over 20 financial reports available. Unfortunately, many of these are inaccurate or are not available to Finance staff. Adhoc query capabilities have been inconsistent at times in providing information that is complete and/or can be reconciled. In addition, advance query requests are facilitated as needed to assist with specific financial reporting issues.

In response, the Department has established a Financial Reporting Enhancement project in order to capture the operational requirements and to address any system driven issues more comprehensively. The scope includes resolution of financial logged defects, addressing issues in daily processing, and improving business processes which affect incomplete and/or inaccurate data output. This project will allow daily focus and direction with a project manager, business analyst, developers and testers to stabilize financial reports.

The CFO is the executive sponsor in this effort and will work closely with Unemployment Insurance and Workforce Technology Divisions with a goal of completing this project by June of 2015. The CFO, along with the UI Director and Deputy Director, is responsible for resolving this finding.

2013-004 Information Technology (Significant Deficiency)

Condition: During the test work over the IT general controls and procedures related to the operating systems and applications of the Department, we noted four programmers with production update capabilities.

Criteria: One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. Within a data processing environment, this can be translated to not permitting the same individual to program an application and operate the computer. Designating individuals as "programmers" or "operators" without restricting their functions to those traditionally associated with the titles makes the separation of duties more apparent than real.

Cause: With the implementation of the new UI Claim and Tax System, the Department has not yet established controls and procedures surrounding these issues.

Effect: Possible unauthorized or inappropriate access or changes within the system.

Recommendation: We recommend that, to maintain the desirable separation of duties between operators and programmers, the following policies be adopted:

- Programmers should not be permitted to implement program applications or modifications to programs made by programming personnel.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section II Financial Statement Findings (continued)

2013-004 Information Technology (Significant Deficiency) (continued)

- Programmers should not be permitted to operate the computer in a "hands on" mode unless rigorous safeguards are installed (for example, a dedicated machine, a copy of the system and program pack being used, no live files being used for tests, review of files used in tests, and output from tests).

Management's Response: The Department's Workforce Technology Division (WTD) has established controls and procedures to address the 2013-004 Information Technology (Significant Deficiency) issues identified. These controls include formal Change Control Board and account reviews. In December 2013, WTD started a reorganization to remove all developers from production access. During this process, WTD identified that key developers needed to temporarily have access to update production applications for critical support during deployment activities which required subject matter expertise. WTD is in the final stages of knowledge transfer which will allow us to ensure that the remaining four developers will no longer have production access. This is expected to be completed by March 31, 2015. Production system update access will be limited to authorized WTD operational personnel by March 31, 2015. The CIO is responsible for this corrective action to resolve this finding.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Section III – Federal Awards Findings and Questioned Costs

2008-003 Federal Grant Reporting (Significant Deficiency, Instance of Non-compliance)

Applicable Compliance Requirement: Reporting

Federal Program: CFDA 17.225 Unemployment Insurance

Federal Agency: Department of Labor

Federal Award Number/Year: UI-21116-11-55-A-35 (2011), UI-22329-12-55-A-35 (2012),
UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35 (2014)

Condition: During our A-133 single audit reporting testwork, the following exceptions were noted regarding required federal reporting:

- 2 of 5 reports (one ETA 2112 and one TAPR) tested were not submitted timely.
- 4 of 4 reports (2 ETA 581 and 2 ETA 227) tested did not have sufficient information to determine that the reports submitted to the federal agency were reporting accurate data.

Criteria: Per OMS Circular A-133, *Compliance Requirements Reporting - Financial Reporting*, the Department is required to maintain reports specified by the Federal agency. In addition, A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Cause: Failure or lack of internal controls over reporting requirements established by the Federal government. In addition, the Department is unsure of the accuracy of the data reported.

Effect: The Department is not in compliance with grant requirements. Information reported to the Federal government could be inaccurate.

Recommendation: We recommend that the Department continue its efforts to test the accuracy of the federal reports submitted to the Department of Labor. In addition, we recommend that management establish controls surrounding the submission of timely reports when an employee that generates the report is not present, to ensure compliance with federal requirements.

Management's Response: The TAPR submission was delayed due to the IT wage file not being processed in a timely manner. The day the wage file was processed, the TAPR was submitted at the same time, resulting in the delay. This delay occurred because the IT developer did not understand the TAPR deadline. When the assigned developer is out when the report is due, a backup person has been designated. Business Services will work with IT to ensure the process is followed.

A formal business change in the submission of the ETA 2112 report has been established. An email will be sent by the employee submitting the ETA 2112 report with an electronic copy attached on the date of submission. A copy of the electronic submission form will be saved in the FMB Shared (P) Drive Folder as well. After reporting issues have been resolved, this

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Section III – Federal Awards Findings and Questioned Costs (continued)

**2008-003 Federal Grant Reporting (Significant Deficiency, Instance of Non-compliance)
(continued)**

Management's Response: (continued)

process will be formally added to the Standard Operating Procedures for the UI Treasury unit. The estimated time of completion is June 30, 2015. This is a priority and the CFO will work with UI Treasury and IT to ensure the accuracy of the information on the reports.

The ETA 227 and ETA 581 have a number of outstanding CRs in place. A business case was prepared for the ETA 227 by the Project Management Office and work has yet to be scheduled. ER&A staff are involved in weekly meetings to monitor the progress of these reports. ER&A will work with IT to ensure these issues are addressed and resolved by June 30, 2015.

2014-001 – Eligibility of Benefit Payments (Significant Deficiency, Instance of Non-compliance)

Applicable Compliance Requirement: Eligibility

Federal Program: CFDA 17.225 Unemployment Insurance

Federal Agency: Department of Labor

Federal Award Number/Year: UI-21116-11-55-A-35 (2011), UI-22329-12-55-A-35 (2012),
UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35 (2014)

Condition: During testwork over the Unemployment Insurance program, the Department brought to our attention an issue within the system which allowed claimants to establish a claim for a second benefit year, yet did not meet the eligibility requirements to establish a new claim. The Department corrected the system issue in November 2013 and established overpayments within the system as needed.

Criteria: [1] Section 51-1-5 (B) NMSA 1978 requires a claimant who has established one benefit year to have had employment and earnings equal to either 3/13 of the wages he earned in the high quarter of his base period or six times his weekly benefit amount before he can establish a second consecutive benefit year. The purpose of this requalifying wage requirement is to avoid claimants "double dipping" into a second consecutive year of unemployment benefits on the basis of wages earned prior to the first claim without having any more employment.

Cause: The Department's uFACTs system did not detect the requirement for a claimant to open up a new claim.

Effect: Non-compliance with applicable regulations, ineligible benefit payments.

Recommendation: We recommend that management works with the uFACTs maintenance team to ensure that system approved benefits are being properly determined to ensure compliance with federal allowed costs requirements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Section III – Federal Awards Findings and Questioned Costs (continued)

2014-001 – Eligibility of Benefit Payments (Significant Deficiency, Instance of Non-compliance) (continued)

Management's Response: Early in 2013 after the new UI Tax and Claims system was implemented, monetary issues related to back-to-back claims were discovered and logged into Team Foundation System (TFS), which is our change control system used for logging and managing system issues. In August of the same year, Joint Application Design (JAD) sessions were held to gather the requirements to address the monetary issues. The Department took a comprehensive approach and redesigned the monetary module to resolve the gaps from the original design. Development of the monetary redesign began in September. In early November of 2013, a team of dedicated testers was assembled for user acceptance testing (UAT) and performed two weeks of testing, executing nearly 180 monetary test scenarios. UAT was completed in the same month and the redesigned monetary functionality was deployed to production at the end of November. A monetary training was developed and given to key business stakeholders.

Below are some of the monetary enhancements included but not limited to the redesign:

- Removal of the Alternate Base Period Election
- System will automatically perform a regular base period calculation
- System will determine if claimant meets 5xWBA criteria using coverer UI wages
- System will detect a monetary issue when claimant fails to meet 5xWBA requirements
- Monetary issues will be put in workflow queue for monetary skilled staff to work on a timely basis

In conclusion, the back-to-back claim issues and the validation and verification whether a claimant has met the 5xWBA requirement has been resolved, and the adjudication of monetary issue process was refined. Please consider the corrective action on this finding complete as of November 28, 2013.

2012-001 Payroll Charges to Federal Grants (Significant Deficiency, Instance of Noncompliance)

Applicable Compliance Requirement: Allowable Costs/Cost Principles

Federal Agency: Department of Labor

Condition: During single audit payroll test work over allowable costs, the following issues were noted which are detailed by CFDA and Federal Program:

CFDA 17.207/17.801/17.804 – Employment Services – Award Numbers (year) ES-24634-13-55-A-35 (2013), DV-19654-10-55-5-35-(2013) and ES-23013-12-55-A-35 (2012)

On 10 of 40 payroll transactions tested, the timesheets provided were not certified in a timely manner.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section III – Federal Awards Findings and Questioned Costs (continued)

2012-001 Payroll Charges to Federal Grants (Significant Deficiency, Instance of Noncompliance) (continued)

CFDA 17.258 – Workforce Investment Act – Award Numbers (year) - WIA/SWR-OS-PY12 (2012) and AA-21412-11-55-A-35 (2012)

On 7 of 40 payroll transactions tested, the timesheets provided were not certified in a timely manner.

Criteria: Per OMB A-133 and federal agreements, the programs will be reimbursed for actual costs incurred. In addition, A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. In addition, per OMB Circular A-87, for employees who work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personal activity reports or equivalent documentation.

Cause: The Department implemented changes as to how the Department documents and supports payroll charges to federal programs in an effort to ensure compliance with federal regulations. As a result, the issues noted related to payroll substantially decreased and the Department is still improving this process and the controls surrounding it.

Effect: Non-compliance with applicable regulations.

Recommendation: We recommend that management continue to monitor the certification of the time and effort for employees that work on Federal Programs. We recommend that units in the Department continue to improve controls and procedures to ensure 100% compliance.

Management's Response: Management will take a three step approach to correcting the above finding:

Step 1 – On Thursday, August 21st, Ms. Aragon with Financial Management Bureau and Mr. Martinez, Employment Services Manager, addressed statewide Field Managers at an in-person meeting. Ms. Aragon went over the requirements per OMB A-133 and federal agreements for actual costs incurred. The importance of timely and accurate payroll verification forms was discussed. Ms. Aragon was available to answer questions from managers in order to clear up any misunderstandings. By the end of the session, managers had a strong understanding of the process and the expectations of them regarding payroll verification.

Step 2 – Ms. Trail and Ms. Purcell, the Administrative staff with Employment Services, will be responsible for conducting random audits of all offices. Ms. Trail will conduct audits in the southwest and eastern parts of the state while Ms. Purcell will cover the north and central areas. The random audits will be conducted at the beginning of each month. 10% of all field staff will be audited. The random audits will include a sampling of payroll verification forms in each office in order to assure that they are being completed timely and correctly. A process will also be put in place by Mr. Martinez for all field managers to have departing

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

Section III – Federal Awards Findings and Questioned Costs (continued)

2012-001 Payroll Charges to Federal Grants (Significant Deficiency, Instance of Noncompliance) (continued)

Management's Response: (continued)

staff sign a payroll verification form upon departure from the agency. This will be done in conjunction with the regular exit process.

Step 3 – Managers are expected to have all payroll verification forms on file. Staff will be held accountable through the progressive discipline process.

The Manager of Business Services is responsible for resolving this finding.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014

Section II – Financial Statement Findings

2005-004 Delinquent Employer Contribution Report (Significant Deficiency) - Resolved

Condition: Prior to January 2013, the Department was unable to generate reports from the legacy unemployment tax system, Tax Application Cooperative System (TACS), as it was updated on a real-time basis and constantly fluctuated due to the continuous processing of transactions. Consequently, the reports generated by TACS for the same time period, including but not limited to the delinquent employer contributions and the related penalty and interest (P&I) receivables, but run at different times, provide dissimilar results. With the implementation of the new system in January 2013 (uFACTS), the Department now is capable of generating delinquent employer contributions and related P&I receivables. However, the reports have not yet been tested by the Department to determine the reliability of the reported delinquent employer contributions and related P&I. This is applicable to CFDA 17.225 - UI Administration.

2007-001 Financial Recording, Accounting and Reporting (Material Weakness) - Resolved

Condition: The following issues related to financial recording, accounting and reporting were noted during the FY13 audit:

- The Department is not performing timely cash account reconciliations.
- The Department has not implemented monthly and year-end closing procedures to ensure all account balances are properly stated. As a result, there were an excessive amount of client prepared journal entries and audit entries required to properly prepare the financial statements in accordance with Generally Accepted Accounting Principles.
- The Department is not liquidating amounts payable to other funds and agencies in a timely manner.
- The Department still has inactive funds within the SHARE system that have not been reclassified to the Department's General Fund, which results in yearly audit reclassifications.

2007-010 Reconciliation of Agency Funds (Significant Deficiency) Resolved

Condition: The Department's Labor and Industrial Wage Claim Fund has an amount of approximately \$278,264 held for or due to others. Currently, the Department is uncertain as for whom all of the funds are held or to whom they are due.

2013-004 Information Technology (Significant Deficiency) – Repeated and Updated

Condition: During the test work over the IT general controls and procedures related to the operating systems and applications of the Department, we noted the following issues:

- Programmers with production update capabilities.
- 106 user accounts had password force change override turned on.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014**

Section III – Federal Award Findings and Questioned Costs

2005-004 Delinquent Employer Contribution Report (Significant Deficiency, Instance of Non-compliance) - Resolved

Applicable Compliance Requirement: Other

Condition: Prior to January 2013, the Department was unable to generate reports from the legacy unemployment tax system - Tax Application Cooperative System (TACS) as it was updated on a real-time basis and constantly fluctuated due to the continuous processing of transactions. Consequently, the reports generated by TACS for the same time period, including but not limited to the delinquent employer contributions and the related penalty and interest (P&I) receivables, but run at different times provide dissimilar results. With the implementation of the new system in January 2013 (uFACTS), the Department now is capable of generating delinquent employer contributions and related P&I receivables. However, the reports have not yet been tested by the Department to determine the reliability of the reported delinquent employer contributions and related P&I. This is applicable to CFDA 17.225 - UI Administration.

2008-003 Federal Grant Reporting (Significant Deficiency, Instance of Non-compliance) – Repeated and Updated

Applicable Compliance Requirement: Reporting

Condition: During our A-133 single audit reporting testwork, the following exceptions were noted regarding required federal reporting:

CFDA 17.207/17.801/17.804 – Employment Services Cluster

- 4 of 15 reports (two ETA9002 and two VETS 200) tested were not submitted timely.

CFDA 17.258/17.259/17.278 – Work Investment Act Cluster

- 1 of 23 reports (ETA9130) tested was not submitted timely.

2011-002 Internal Control over Federally Suspended/Debarred Vendors (Significant Deficiency, Instance of Non-compliance) - Resolved

Applicable Compliance Requirement: Procurement and Suspension and Debarment

Condition: During our A-133 single audit suspended/debarred vendor testwork, it was noted that for 1 of 1 contract reviewed, there was no evidence that the Department verified that the vendor was not included in the federally *Excluded Parties Listing System* (EPLS) found in the *System for Award Management* (SAM) prior to awarding the contract. This is applicable to the Work Investment Act Cluster CFDA's 17.258/17.259/17.278.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014

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

2011-003 Benefit Accuracy Measurement (BAM) Sampling, (Significant Deficiency, Instance of Non-compliance) - Resolved

Applicable Compliance Requirement: Special Tests

Condition: During our testwork over the Benefit Accuracy Measurement case populations, it was noted that the BAM unit did not sample the required 150 cases for the year. The BAM unit only completed 138 monetary denial cases, 138 separation denial cases and 137 nonseparation denial cases by year end. We noted 3 of 40 cases in which the UI specialist signed off or closed the case in which they prepared. This is applicable to CFDA 17.225, UI Administration.

2012-001 Payroll Charges to Federal Grants (Significant Deficiency, Instance of Non-compliance) – Repeated and Updated

Applicable Compliance Requirement: Allowable Costs/Cost Principles

Condition: During single audit payroll test work over allowable costs, the following issues were noted which are detailed by CFDA and Federal Program:

CFDA 17.275 – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors

- On 8 of 21 payroll transactions tested, the timesheets provided were not certified in a timely manner.
- On 7 of 21 payroll transactions tested, although the timesheets were approved electronically based on actual hours worked on the grant, the Department was unable to provide printouts of the signed time and effort certifications.

CFDA 17.258/17.259/17.278 – Work Investment Act Cluster

- On 15 of 40 payroll transactions tested, the timesheets provided were not certified in a timely manner.
- On 12 of 40 payroll transactions tested, although the timesheets were approved electronically based on actual hours worked on the grant, the Department was unable to provide printouts of the signed time and effort certifications.

CFDA 17.207/17.801/17.804 – Employment Services Cluster

- On 20 of 40 payroll transactions tested, the timesheets provided were not certified in a timely manner.
- On 5 of 40 payroll transactions tested, although the timesheets were approved electronically based on actual hours worked on the grant, the Department was unable to provide printouts of the signed time and effort certifications.
- On 6 of 40 payroll transactions tested, the timesheets provided were not certified and/or dated by the supervisor.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014**

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

2013-001 Lack of Sufficient Subrecipient Monitoring Procedures (Significant Deficiency, Instance of Non-compliance) - Resolved

Applicable Compliance Requirement: Subrecipient Monitoring

Condition: During our single audit testing over subrecipient monitoring for the High Growth and Emerging Industry Sectors Grant (State Energy Sector Partnership) (CFDA17.275) Program, we noted the subrecipient review process performed by the program did not include a review of the annual independent audit.

Section IV – Other Findings

Finding 2013-002 Untimely Deposits of Cash Receipts (Other) - Resolved

Condition: During the internal controls test work for cash receipts, it was noted that 6 out of 22 deposits tested were not deposited within 24 hours of receipt, which was approximately \$31,524 in employer tax receipts and claimant overpayments.

Finding 2013-003 Per Diem (Other) - Resolved

Condition: During internal control test work over Per Diem, the following items were noted:

- Of 22 reimbursements tested, we noted one reimbursement which was over paid. An employee was paid \$90.00 for meals when actual meal expenses were approximately \$46.
- Of 22 reimbursements tested, we noted one reimbursement in which an employee was under reimbursed by approximately \$20 due to the reimbursement packet not being properly calculated.
- Of 22 reimbursements tested, we noted one reimbursement was not in compliance with the department's tip policy. An employee was reimbursed for the actual tip amount which exceeded the department's policy of 20%.
- Of 22 reimbursements tested, we noted one reimbursement did not have the proper post of duty or residence stated on the reimbursement form.
- The Department was aware of tracking per diem reimbursements that exceed \$1,500 in a single year. However, the Department is not maintaining an accurate log of the travel taken. Nine travel transactions were not included in the travel log that should have been. It was noted that the Department is not reconciling the log back to SHARE.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
EXIT CONFERENCE
June 30, 2014**

An exit conference was held with the Department on December 10, 2014. The conference was held at the Department's offices in Albuquerque, 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:

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS

Celina Bussey, Cabinet Secretary
David Robbins, CFO, ASD Director
Violetta Apodaca, General Ledger Manager
Susan Aragon, Federal Grants Manager

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Assurance Principal
Matt Bone, CPA, CGFM, CGMA Assurance Principal
Cammie Archuleta, Assurance Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

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

