

Timothy M. Keller
State Auditor



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Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

VIA EMAIL AND U.S. MAIL

January 19, 2017

Celina Bussey
Secretary
New Mexico Department of Workforce Solutions
PO Box 1928
Albuquerque, NM 87103

Dear Secretary Bussey:

The Office of the State Auditor (OSA) has released the Fiscal Year 2016 financial and compliance audit for the New Mexico Department of Workforce Solutions (Department).

The audit report includes a repeat material weakness finding originating from the 2013 implementation of the new Unemployment Insurance and Claims System (uFACTS), which supports employer tax collection efforts and claim and benefit processing. The finding highlights serious problems with respect to the reliability of financial reporting and accounting of the Unemployment Insurance (UI) fund. Specifically, the Department lacks procedures to reconcile activities and balances of the UI fund as reported in SHARE on a monthly basis and the ability to generate necessary reports from the uFACTS system for year-end closing entries to the UI fund.

As uFACTS is essential to the successful administration of unemployment programs that affect 11,000 workers each week, the OSA strongly concurs with the audit report's recommendation that the Department needs to make the resolution of these deficiencies a high priority. If these system problems continue to be unaddressed, these weaknesses may result in material misstatements to the Department's financial statements and create an environment susceptible to misappropriation of funds.

Thank you for your attention to this issue.

Sincerely,

A handwritten signature in cursive script that reads "Timothy M. Keller".

Timothy M. Keller
State Auditor

**NEW MEXICO DEPARTMENT OF
WORKFORCE SOLUTIONS**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
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**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
OFFICIAL ROSTER
JUNE 30, 2016**

Celina Bussey, Cabinet Secretary

Joy Forehand, Deputy Cabinet Secretary

Shawn Cummings, General Counsel and Deputy Cabinet Secretary

David Robbins, Administrative Services Director
Chief Financial Officer

Sue Anne Athens, Chief Information Officer

Jason Dean, Director of Unemployment Insurance

Marcos Martinez, Director of Business Services

Yolanda Montoya-Cordova, State Administrative Entity



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INDEPENDENT AUDITORS' REPORT

Celina Bussey, Cabinet Secretary
New Mexico Department of Workforce Solutions and
Mr. Timothy Keller
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, 2016, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2016, 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, 2016, and the changes in the financial position for the year then ended, inconformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 21 to the financial statements, a restatement to the beginning net position to correct a misstatement in the June 30, 2015 financial statements was required. Our auditors' opinion was not modified with respect to the restatement.

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2 NMAC as listed in the table of contents as Schedule of Individual Deposit Accounts (Schedule 1), Schedule of Pledged Collateral (Schedule 2), Schedule of Memoranda of Understanding (Schedule 3), Schedule of Changes in Assets and Liabilities – Agency Fund (Schedule 4), and Schedule of Vendor Information for

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

Purchases Exceeding \$60,000 (Schedule 5) 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 as listed in the table of contents as Schedule of Individual Deposit Accounts (Schedule 1), Schedule of Pledged Collateral (Schedule 2), Schedule of Memoranda of Understanding (Schedule 3), and Schedule of Changes in Assets and Liabilities – Agency Fund (Schedule 4) 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 as listed in the table of contents as Schedule of Individual Deposit Accounts (Schedule 1), Schedule of Pledged Collateral (Schedule 2), Schedule of Memoranda of Understanding (Schedule 3), and Schedule of Changes in Assets and Liabilities – Agency Fund (Schedule 4) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Schedule 5) required by 2.2.2 NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide an assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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
November 29, 2016

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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

	FY 2016	FY 2015	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 446,766,758	\$ 283,268,560	\$ 163,498,198	57.7%
Capital and Non-Current Assets	22,228,345	30,580,073	(8,351,728)	-27.3%
Total Assets	<u>\$ 468,995,103</u>	<u>\$ 313,848,633</u>	<u>\$ 155,146,470</u>	49.4%
Liabilities:				
Current Liabilities	\$ 23,116,579	\$ 20,346,408	\$ 2,770,171	13.6%
Long-Term Obligations	-	-	-	0.0%
Total Liabilities	<u>23,116,579</u>	<u>20,346,408</u>	<u>2,770,171</u>	13.6%
Net Assets:				
Net Investment in				
Capital Assets	22,228,345	30,580,073	(8,351,728)	-27.3%
Restricted	424,003,417	263,243,311	160,760,106	61.1%
Unrestricted	<u>(353,238)</u>	<u>(321,159)</u>	<u>(32,079)</u>	10.0%
Total Net Position	<u>445,878,524</u>	<u>293,502,225</u>	<u>152,376,299</u>	51.9%
Total Liabilities and Net Position	<u>\$ 468,995,103</u>	<u>\$ 313,848,633</u>	<u>\$ 155,146,470</u>	49.4%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Financial Highlights (Continued)

Table A-2
Comparative Statement of Activities

	FY 2016	FY 2015	\$ Change	% Change
REVENUE:				
<u>Program Revenues by Major Sources</u>				
Governmental Activities:				
Employment Services:				
Charges for Services	\$ 4,554,050	\$ 3,050,678	\$ 1,503,372	49.3%
Operating Grants	43,832,004	48,011,238	(4,179,234)	35.0%
Total Governmental Activities Revenue	48,386,054	51,061,916	(2,675,862)	-5.2%
Business-Type Activities:				
Unemployment Activities:				
Charges for Services	347,985,603	306,245,308	41,740,295	13.6%
Operating Grants	3,272,825	7,229,822	(3,956,997)	-54.7%
Total Business-type Activities Revenue	351,258,428	313,475,130	37,783,298	12.1%
Total Program Revenues by Major Sources	399,644,482	364,537,046	35,107,436	9.6%
<u>General Revenues by Major Source</u>				
Governmental Activities				
State Appropriations	10,814,900	11,389,000	(574,100)	-5.0%
Investment Earnings /Miscellaneous	5,467	2,132	3,335	100.0%
Other-Transfers in	1,515,714	900,000	615,714	68.4%
Total Governmental Activities Revenue	12,336,081	12,291,132	44,949	0.4%
Business-type Activities:				
Other Revenue				
Other-Transfers Out	(17,514)	-	(17,514)	100.0%
Investment Earnings	5,827,902	2,338,400	3,489,502	149.2%
Total Business-type Activities Revenues	5,810,388	2,338,400	3,471,988	148.5%
Total General Revenues by Major Sources	18,146,469	14,629,532	3,516,937	24.0%
Total Revenues by Major Sources	<u>\$ 417,790,951</u>	<u>\$ 379,166,578</u>	<u>\$ 38,624,373</u>	10.2%

Revenue

- The Unemployment Trust Fund experienced an increase in revenue which coincides with a change in the methodology in how rates are calculated. Unemployment claims are presently at approximately 43,419 weekly claims, down from a year ago of approximately 49,531 weekly claims. Federal funds for administering Unemployment Activities declined from \$14,091,657 in FY15 to \$13,299,899 in FY16.
- Appropriations from the State General Fund decreased from \$11,389,000 to \$10,814,900, as mandated to alleviate the budget deficit.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Financial Highlights (Continued)

- Other revenue sources remained fairly constant, although the Department continues to experience an overall decline in many federal grants.

Table A-2b
Comparative Statement of Activities

	FY 2016	FY 2015	\$ Change	% Change
EXPENSES:				
<u>Program Expenses by Major Sources</u>				
Governmental Activities:				
Governmental	\$ 69,908,987	\$ 67,844,883	\$ 2,064,104	3.0%
Total Governmental Activities Expenses	69,908,987	67,844,883	2,064,104	3.0%
Business-type Activities:				
Unemployment Services	195,505,665	193,478,588	2,027,077	1.0%
Total Business-type Activities Expenses	195,505,665	193,478,588	2,027,077	1.0%
Total Program Expenses by Major Sources	<u>\$ 265,414,652</u>	<u>\$ 261,323,471</u>	<u>\$ 4,091,181</u>	1.6%

Expenses

The cost of business-type activities related to unemployment services increased in fiscal year 2016. The Department paid out approximately 1.0% more unemployment benefits in fiscal year 2016 than in 2015. The total costs for operations increased overall from \$67,884,883 to \$69,908,987, or about 3%. This small increase was due to healthcare and miscellaneous operational general expenditures.

Table A-2c
Comparative Statement of Activities

	FY 2016	FY 2015	\$ Change	% Change
<u>Change in Net Position</u>				
Governmental Activities:				
Beginning Net Position	\$ 45,973,618	\$ 50,465,453	\$ (4,491,835)	-8.9%
Change in Net Position	(9,186,852)	(4,491,835)	(4,695,017)	104.5%
Ending Net Position	36,786,766	45,973,618	(9,186,852)	-20.0%
Business-type Activities:				
Beginning Net Position, as Restated	247,528,607	125,193,665	122,334,942	97.7%
Change in Net Position	161,563,151	122,334,942	39,228,209	32.1%
Ending Net Position	409,091,758	247,528,607	161,563,151	65.3%
Ending Net Position	<u>\$ 445,878,524</u>	<u>\$ 293,502,225</u>	<u>\$ 152,376,299</u>	51.9%

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Financial Highlights (Continued)

Total Net Position

The Department's total ending net position increased by \$152,376,299, a 51.9% increase over fiscal year 2016. Net position attributable to government activities decreased by \$9,186,852, or a 21.4% decrease over the prior fiscal year. Net position attributable to business-type activities increased by \$161,563,151, or a 65.5% increase over the prior fiscal year, due to the increase in the State Trust Fund balance.

The increase in net assets is due to:

- An increase in employer taxes and; 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 – The revenues increased by approximately \$1.1 million in the current year compared to prior year.

Public Works Apprenticeship Training – Program overall revenues increased by approximately \$51,000 compared with prior year.

Labor Enforcement Fund – Program had a decrease in revenue of approximately \$155,500 compared to prior year revenue.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Financial Highlights (Continued)

Capital Assets

Table A-3
Capital Assets

	June 30, 2015	FY15 Additions	FY15 Disposals/ Transfers	June 30, 2016
Assets:				
Office Improvements	\$ 3,085,958	\$ -	\$ -	\$ 3,085,958
Vehicles	302,074	-	-	302,074
Office Equipment	2,024,188	-	57,113	2,081,301
Furniture and Fixtures	862,683	-	-	862,683
Computer Equipment	48,598,505	-	(18,427)	48,580,078
Total Acquired Value	<u>54,873,408</u>	<u>-</u>	<u>38,686</u>	<u>54,912,094</u>
Accumulated depreciation:				
Office Improvements	(1,398,290)	(233,089)	-	(1,631,379)
Vehicles	(135,932)	(30,207)	-	(166,139)
Office Equipment	(1,934,988)	(62,533)	(16,448)	(2,013,969)
Furniture and Fixtures	(525,920)	(59,031)	-	(584,951)
Computer Equipment	(20,298,205)	(7,966,868)	(22,238)	(28,287,311)
Total Accumulated Depreciation	<u>(24,293,335)</u>	<u>(8,351,728)</u>	<u>(38,686)</u>	<u>(32,683,749)</u>
Net Total	<u>\$ 30,580,073</u>	<u>\$ (8,351,728)</u>	<u>\$ -</u>	<u>\$ 22,228,345</u>

In FY16, capital assets remained relatively consistent with prior year.

Debt

The Department has no long-term debt.

General Fund Budgetary Highlights

The Department's overall General Fund Appropriations decreased by \$574,100 in FY 2016 from FY 2015.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Financial Highlights (Continued)

Changes in Federal Funding

The Department's federal revenues remained relatively flat in funding from its federal grant awards. The Department experienced moderately uniform funding in federal awards for employment services, and Unemployment Insurance, and Unemployment Insurance Administration Base from the United States Department of Labor, as well as most other grantors. During fiscal year 2016, the Workforce Investment Act transitioned to the Workforce Innovation and Opportunity Act. The Workforce Innovation and Opportunity Act funds realized an increase 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 to help with the conversion and implementation of the new organization.

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 Innovation and Opportunity Act grant, which the SAWDB receives to provide job training opportunities to eligible individuals in the southwest quadrant of the State.

Other Operating Highlights

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 2017. 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 Unemployment Compensation Law. 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.

In the 2016 New Mexico Legislative Session, HB 283 "Unemployment Compensation Contribution Rates" was passed. The legislation created the "Experience History Factor," an additional factor to the way in which Unemployment Insurance taxes are calculated for contributory employers. The "Experience History Factor" is in effect mid-year for tax year 2016, and adjustments will be reflected in employer rates for Quarter 3 and Quarter 4 of 2016 for experience-rated employer (an employer that has been in business for more than 24 months).

Economic Outlook

New Mexico's seasonally adjusted unemployment rate was 6.7 percent in October 2016, unchanged from September and up from 6.5 percent a year ago. Total nonfarm payroll employment contracted by 2,900 jobs, or 0.3 percent, between October 2015 and October 2016. The private sector was down 1,700 jobs, representing a decline of 0.3 percent. The goods-producing industries were down 8,000 jobs, or 8.2 percent, and the service-providing industries added 6,300 jobs, representing a gain of 1.2 percent. In October 2016, six industries added jobs and seven posted losses.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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:

David L. Robbins, Chief Financial Officer and
Administrative Services Division Director
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, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 12,432	\$ 12,432
Cash Held with U.S. Treasury	-	334,179,727	334,179,727
Investment in State General Fund Investment Pool	17,290,398	-	17,290,398
Petty Cash	500	-	500
Due from Federal Government	39,111	126,244	165,355
Internal Balances	632,737	(632,737)	-
Accounts Receivable, Net of Allowance for Uncollectibles	1,207,906	93,910,440	95,118,346
Capital Assets, Net	22,228,345	-	22,228,345
Total Assets	\$ 41,398,997	\$ 427,596,106	\$ 468,995,103
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 2,584,743	\$ -	\$ 2,584,743
Accrued Payroll and Benefits	899,364	-	899,364
Benefits Payable	-	6,685,427	6,685,427
Due to Other State Agencies	3,424	149	3,573
Other Accrued Liabilities	18,262	-	18,262
Unearned Revenue	83,957	11,818,772	11,902,729
Compensated Absences, Due Within One Year	1,022,481	-	1,022,481
Total Liabilities	4,612,231	18,504,348	23,116,579
NET POSITION			
Net Investment in Capital Assets	22,228,345	-	22,228,345
Restricted for:			
Unemployment Insurance Trust	-	409,091,758	409,091,758
Special Revenue Funds	14,911,659	-	14,911,659
Unrestricted	(353,238)	-	(353,238)
Total Net Position	36,786,766	409,091,758	445,878,524
Total Liabilities and Net Position	\$ 41,398,997	\$ 427,596,106	\$ 468,995,103

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
Workforce Transition Services	\$ 9,719,507	\$ -	\$ 12,090,608
Labor Relations	4,286,099	345,507	3,445,862
Workforce Technology	21,528,206	-	10,939,398
Business Services	13,281,465	-	4,775,702
Program Support	<u>21,093,710</u>	<u>4,208,543</u>	<u>12,580,434</u>
Total Governmental Activities	69,908,987	4,554,050	43,832,004
BUSINESS-TYPE ACTIVITIES			
Unemployment Services	<u>195,505,665</u>	<u>347,985,603</u>	<u>3,272,825</u>
Total Business-Type Activities	<u>195,505,665</u>	<u>347,985,603</u>	<u>3,272,825</u>
 Total Primary Government	 <u>\$ 265,414,652</u>	 <u>\$ 352,539,653</u>	 <u>\$ 47,104,829</u>

See accompanying Notes to Financial Statements.

	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
	\$ 2,371,101	\$ -	\$ 2,371,101
	(494,730)	-	(494,730)
	(10,588,808)	-	(10,588,808)
	(8,505,763)	-	(8,505,763)
	(4,304,733)	-	(4,304,733)
	(21,522,933)	-	(21,522,933)
	-	155,752,763	155,752,763
	-	155,752,763	155,752,763
	(21,522,933)	155,752,763	134,229,830
General Revenues:			
Investment Earnings	5,467	5,827,902	5,833,369
Transfers in - State General			
Fund Appropriations	10,814,900	-	10,814,900
Transfers in	1,515,714	(17,514)	1,498,200
Total General Revenues and Transfers	12,336,081	5,810,388	18,146,469
CHANGE IN NET POSITION	(9,186,852)	161,563,151	152,376,299
Net Position - Beginning of Year	45,973,618	215,981,007	261,954,625
Restatement	-	31,547,600	31,547,600
Net Position - Beginning of Year, Restated	45,973,618	247,528,607	293,502,225
NET POSITION - END OF YEAR	<u>\$ 36,786,766</u>	<u>\$ 409,091,758</u>	<u>\$ 445,878,524</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Major Funds				Total Governmental Funds
	32900 General Fund	61300 Penalty and Interest	61400 Public Works Apprenticeship and Training	71100 Labor Enforcement Fund	
ASSETS					
Investment in State General Fund Investment Pool	\$ 4,052,777	\$ 9,858,337	\$ 1,720,451	\$ 1,658,833	\$ 17,290,398
Petty Cash	500	-	-	-	500
Due from Enterprise Funds	2,107	630,630	-	-	632,737
Due from Federal Government	39,111	-	-	-	39,111
Other Receivables	163,955	1,043,951	-	-	1,207,906
Total Assets	\$ 4,258,450	\$ 11,532,918	\$ 1,720,451	\$ 1,658,833	\$ 19,170,652
LIABILITIES					
Accounts Payable	\$ 2,584,743	\$ -	\$ -	\$ -	\$ 2,584,743
Accrued Payroll and Benefits	899,364	-	-	-	899,364
Unearned Revenue	83,957	-	-	-	83,957
Other Accrued Liabilities	18,252	10	-	-	18,262
Due to Other State Agencies	2,891	18	515	-	3,424
Total Liabilities	3,589,207	28	515	-	3,589,750
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	562,334	-	-	562,334
FUND BALANCES					
Restricted	-	10,970,556	1,719,936	1,658,833	14,349,325
Assigned	669,243	-	-	-	669,243
Total Fund Balances	669,243	10,970,556	1,719,936	1,658,833	15,018,568
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,258,450	\$ 11,532,918	\$ 1,720,451	\$ 1,658,833	\$ 19,170,652

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$	15,018,568
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
The Cost of Capital Assets is:		54,912,094
Accumulated Depreciation is:		<u>(32,683,749)</u>
Total Capital Assets, Net		22,228,345
Deferred inflows of resources related to unavailable revenues		<u>562,334</u>
<p>Long-term and other liabilities at year end consist of:</p>		
Compensated Absences Payable		<u>(1,022,481)</u>
Net Position of Governmental Activities (Statement of Net Position)	\$	<u>36,786,766</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Major Funds				Total Governmental Funds
	32900 General Fund	61300 Penalty and Interest	61400 Public Works Apprenticeship and Training	71100 Labor Enforcement Fund	
REVENUES					
Interest on Deposit/Investments	\$ -	\$ -	\$ -	\$ 5,467	\$ 5,467
Licenses and Permits	-	-	-	345,507	345,507
Federal Grant Revenue	42,771,166	-	-	-	42,771,166
Penalties and Interest	-	3,646,209	-	-	3,646,209
Public Works Apprenticeship and Training	-	-	1,060,838	-	1,060,838
Total Revenues	<u>42,771,166</u>	<u>3,646,209</u>	<u>1,060,838</u>	<u>350,974</u>	<u>47,829,187</u>
EXPENDITURES					
Current:					
Workforce Transition Services	9,662,854	-	-	-	9,662,854
Labor Relations	4,256,064	-	-	-	4,256,064
Workforce Technology	13,534,982	-	-	-	13,534,982
Business Services	13,227,730	-	-	-	13,227,730
Program Support	20,843,550	-	-	-	20,843,550
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>61,525,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,525,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,754,014)	3,646,209	1,060,838	350,974	(13,695,993)
OTHER FINANCING SOURCES (USES)					
State General Fund Appropriation	10,814,900	-	-	-	10,814,900
Transfers In:					
Interfund - Governmental Funds	6,423,400	-	-	-	6,423,400
Interfund - Proprietary Fund	17,514	-	-	-	17,514
Other	1,498,200	-	-	-	1,498,200
Transfers Out:					
Interfund - Governmental Funds	-	(4,139,622)	(974,948)	(1,308,830)	(6,423,400)
Other	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>18,754,014</u>	<u>(4,139,622)</u>	<u>(974,948)</u>	<u>(1,308,830)</u>	<u>12,330,614</u>
NET CHANGES IN FUND BALANCES	-	(493,413)	85,890	(957,856)	(1,365,379)
Fund Balances - Beginning of Year	<u>669,243</u>	<u>11,463,969</u>	<u>1,634,046</u>	<u>2,616,689</u>	<u>16,383,947</u>
FUND BALANCES - END OF YEAR	<u>\$ 669,243</u>	<u>\$ 10,970,556</u>	<u>\$ 1,719,936</u>	<u>\$ 1,658,833</u>	<u>\$ 15,018,568</u>

See accompanying Notes to 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, 2016**

Net Changes in Fund Balances - Total Governmental Funds	
(Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (1,365,379)

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	-
Depreciation Expense	<u>(8,351,728)</u>
Excess of Capital Outlay Over Depreciation Expense	(8,351,728)
 Deferred inflows of resources - unavailable revenues	 <u>562,334</u>
 Change in Compensated Absence Balance Not Recorded in the Governmental Funds	 <u>(32,079)</u>
 Change in Net Position of Governmental Activities (Statement of Activities)	 <u><u>\$ (9,186,852)</u></u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES AND EXPENDITURES –
MAJOR GOVERNMENTAL FUNDS –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2016**

	General Fund - Total			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Funds	\$ 51,893,400	\$ 51,887,900	\$ 42,771,166	\$ (9,116,734)
General Funds	10,814,900	10,814,900	10,814,900	-
Other State Funds	-	-	-	-
Inter-Agency Transfers	8,634,300	9,005,000	7,939,114	(1,065,886)
Total Revenues	71,342,600	71,707,800	61,525,180	(10,182,620)
P-775 WORKFORCE TRANSITION SERVICES EXPENDITURES				
Personal Services and Benefits	8,703,900	8,703,900	7,980,668	723,232
Contractual Services	363,600	373,600	353,233	20,367
Other Costs	1,515,400	1,515,400	1,328,952	186,448
Other Financing Uses	-	-	-	-
Total P-775 Expenditures	10,582,900	10,592,900	9,662,853	930,047
P-776 LABOR RELATIONS EXPENDITURES				
Personal Services and Benefits	2,115,200	2,428,200	2,344,659	83,541
Contractual Services	44,000	35,200	31,224	3,976
Other Costs	1,611,000	1,912,000	1,880,181	31,819
Other Financing Uses	-	-	-	-
Total P-776 Expenditures	3,770,200	4,375,400	4,256,064	119,336
P-777 WORKFORCE TECHNOLOGY EXPENDITURES				
Personal Services and Benefits	3,321,600	3,576,600	3,403,998	172,602
Contractual Services	8,124,200	8,274,200	7,915,726	358,474
Other Costs	3,266,500	2,816,500	2,215,258	601,242
Other Financing Uses	-	-	-	-
Total P-777 Expenditures	14,712,300	14,667,300	13,534,982	1,132,318
P-778 BUSINESS SERVICES EXPENDITURES				
Personal Services and Benefits	6,971,900	7,858,900	7,143,352	715,548
Contractual Services	5,006,000	4,006,000	2,905,247	1,100,753
Other Costs	5,066,300	5,179,300	3,179,131	2,000,169
Other Financing Uses	-	-	-	-
Total P-778 Expenditures	17,044,200	17,044,200	13,227,730	3,816,470
P-779 PROGRAM SUPPORT EXPENDITURES				
Personal Services and Benefits	6,780,000	6,585,000	5,847,532	737,468
Contractual Services	1,062,500	1,052,500	789,896	262,604
Other Costs	17,390,500	17,390,500	14,206,126	3,184,374
Other Financing Uses	-	-	-	-
Total P-779 Expenditures	25,233,000	25,028,000	20,843,554	4,184,446

See accompanying Notes to 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, 2016**

	General Fund - Total (Continued)			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
ALL EXPENDITURES				
Personal Services and Benefits	\$ 27,892,600	\$ 29,152,600	\$ 26,720,209	\$ 2,432,391
Contractual Services	14,600,300	13,741,500	11,995,326	1,746,174
Other Costs	28,849,700	28,813,700	22,809,645	6,004,055
Other Financing Uses	-	-	-	-
Total All Expenditures	<u>\$ 71,342,600</u>	<u>\$ 71,707,800</u>	<u>61,525,180</u>	<u>\$ 10,182,620</u>
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to 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, 2016**

	Penalty and Interest (61300)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	3,646,209	3,646,209
Inter-Agency Transfers	-	-	-	-
Total Revenues	-	-	3,646,209	3,646,209
 Budgeted Fund Balance	 5,157,800	 5,157,800	 -	 (5,157,800)
Total Revenues and Budgeted Fund Balance	<u>\$ 5,157,800</u>	<u>\$ 5,157,800</u>	3,646,209	<u>\$ (1,511,591)</u>
 EXPENDITURES				
Personal Services and Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	5,157,800	5,157,800	4,139,622	1,018,178
Total Expenditures	<u>\$ 5,157,800</u>	<u>\$ 5,157,800</u>	<u>4,139,622</u>	<u>\$ 1,018,178</u>
 NET CHANGE IN FUND BALANCE			 <u>\$ (493,413)</u>	

See accompanying Notes to 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, 2016**

	Public Works Apprenticeship and Training (61400)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	1,060,838	1,060,838
Inter-Agency Transfers	-	-	-	-
Total Revenues	-	-	1,060,838	1,060,838
 Budgeted Fund Balance	 656,300	 1,027,000	 -	 (1,027,000)
Total Revenues and Budgeted Fund Balance	<u>\$ 656,300</u>	<u>\$ 1,027,000</u>	1,060,838	<u>\$ 33,838</u>
EXPENDITURES				
Personal Services and Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	656,300	1,027,000	974,948	52,052
Total Expenditures	<u>\$ 656,300</u>	<u>\$ 1,027,000</u>	<u>974,948</u>	<u>\$ 52,052</u>
 NET CHANGE IN FUND BALANCE			 <u>\$ 85,890</u>	

See accompanying Notes to 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, 2016**

	Labor Enforcement Fund (71100)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	350,974	350,974
Inter-Agency Transfers	-	-	-	-
Total Revenues	-	-	350,974	350,974
 Budgeted Fund Balance	 1,322,000	 1,322,000	 -	 (1,322,000)
Total Revenues and Budgeted Fund Balance	<u>\$ 1,322,000</u>	<u>\$ 1,322,000</u>	350,974	<u>\$ (971,026)</u>
EXPENDITURES				
Personal Services and Employee Benefits	\$ -	\$ -	-	\$ -
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	1,322,000	1,322,000	1,308,830	13,170
Total Expenditures	<u>\$ 1,322,000</u>	<u>\$ 1,322,000</u>	<u>1,308,830</u>	<u>\$ 13,170</u>
 NET CHANGE IN FUND BALANCE			 <u>\$ (957,856)</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2016**

	2020 Unemployment Insurance Trust Enterprise Fund
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 12,432
Cash Held with U.S. Treasury	334,179,727
Due from Federal Government	126,244
Accounts Receivable, Net of Allowance for Uncollectibles	93,910,440
Total Assets	\$ 428,228,843
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Benefits Payable	\$ 6,685,427
Due to Governmental Funds	632,737
Due to Other State Agencies	149
Unearned Revenue	11,818,772
Total Current Liabilities	19,137,085
NET POSITION	
Restricted for:	
Unemployment Insurance Trust	409,091,758
Total Net Position	409,091,758
Total Liabilities and Net Position	\$ 428,228,843

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016**

	20020 Unemployment Insurance Trust Enterprise Fund
OPERATING REVENUES	
Interest on Investments	\$ 5,827,902
Employers Taxes and Reimbursements	342,848,689
CWC Reimbursements	5,136,914
Total Operating Revenues	353,813,505
OPERATING EXPENSES	
Unemployment Benefits Distributed to Beneficiaries	195,505,665
Total Operating Expenses	195,505,665
OPERATING INCOME	158,307,840
NON-OPERATING REVENUES (EXPENSES)	
Other Financing Uses - Transfers	(17,514)
Grants, Contracts and Federal Reimbursements	3,272,825
Total Non-Operating Revenues (Expenses)	3,255,311
CHANGE IN NET POSITION	161,563,151
Total Net Position - Beginning of Year	215,981,007
Restatement	31,547,600
Total Net Position - Beginning of Year, Restated	247,528,607
TOTAL NET POSITION - END OF YEAR	\$ 409,091,758

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016**

	2020 Unemployment Insurance Trust Enterprise Fund
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash Received from Employers and CWC Reimbursements	\$ 351,731,565
Cash Received from Interest and Principal in Investments (Trust Fund Earnings)	5,827,902
Cash Paid for Unemployment Benefits	(193,615,910)
Cash Provided (Used) by Operating Activities	163,943,557
CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	
Cash Payments to the General Fund for Reimbursements	(17,514)
Cash Received from Federal Government	3,340,509
Cash Provided (Used) by Non-Capital Financing Activities	3,322,995
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,266,552
Cash and Cash Equivalents - Beginning of Year	166,925,607
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 334,192,159
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 158,307,840
Change in Receivables	2,505,045
Change in Payables/Unearned Revenue	3,130,672
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 163,943,557

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2016**

	17800 Agency Fund
ASSETS	
Investment in State General Fund Investment Pool	\$ 25,928
Total Assets	<u>\$ 25,928</u>
LIABILITIES	
Amounts Held for Others	\$ 21,844
Accounts Payable	<u>4,084</u>
Total Liabilities	<u>\$ 25,928</u>

See accompanying Notes to Financial Statements.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016**

NOTE 1 NATURE OF ORGANIZATION (CONTINUED)

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 2016, 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, 2016**

NOTE 1 NATURE OF ORGANIZATION (CONTINUED)

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 Innovation and Opportunity 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.

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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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.

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:

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

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 2016, the General Fund (SHARE Fund 32900) is the only required major fund; 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.

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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

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.

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

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.

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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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, 2016.

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.

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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, 2016, 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.

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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

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.

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

In June 2012, 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.

In January 2013, 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.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 and No. 71, the State of New Mexico implemented the standards for the fiscal year ending June 30, 2015.

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

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

Deferred Outflows/Inflows of Resources

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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 report \$562,334 as of June 30, 2016 in this category related to unavailable revenues in the governmental funds.

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

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

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

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

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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

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

NOTE 4 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, 2016, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	<u>\$ 17,316,826</u>
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Interest Rate Risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2016.

NOTE 5 CASH DEPOSIT ACCOUNTS AND INVESTMENTS

The Department has deposits, as defined in the Schedule of Individual Deposit Accounts on page 51, in Wells Fargo Bank (WF) of \$210,806. 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 \$17,316,826 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 \$334,179,727.

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 CASH DEPOSIT ACCOUNTS AND INVESTMENTS (CONTINUED)

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).

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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets follows:

	June 30, 2015	FY16 Additions	FY16 Disposals/ Adjustments	June 30, 2016
Assets:				
Office Improvements	\$ 3,085,958	\$ -	\$ -	\$ 3,085,958
Vehicles	302,074	-	-	302,074
Office Equipment	2,024,188	-	57,113	2,081,301
Furniture and Fixtures	862,683	-	-	862,683
Computer Equipment	48,598,505	-	(18,427)	48,580,078
Total Cost of Capital Assets	54,873,408	-	38,686	54,912,094
Accumulated Depreciation:				
Office Improvements	(1,398,290)	(233,089)	-	(1,631,379)
Vehicles	(135,932)	(30,207)	-	(166,139)
Office Equipment	(1,934,988)	(62,533)	(16,448)	(2,013,969)
Furniture and Fixtures	(525,920)	(59,031)	-	(584,951)
Computer Equipment	(20,298,205)	(7,966,868)	(22,238)	(28,287,311)
Total Accumulated Depreciation	(24,293,335)	(8,351,728)	(38,686)	(32,683,749)
Net Total	<u>\$ 30,580,073</u>	<u>\$ (8,351,728)</u>	<u>\$ -</u>	<u>\$ 22,228,345</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	\$ 56,653
Workforce Technology	7,993,224
Business Services	53,735
Program Support	218,081
Labor Relations	30,035
Total	<u>\$ 8,351,728</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 UNEMPLOYMENT INSURANCE FUND – RECEIVABLES

Receivable:	
Current UI Taxes	\$ 92,646,505
Benefit Overpayments	73,072,958
Combined Wage Claimants (CWC)	1,263,935
Gross Receivables	166,983,398
Less: Allowance for Uncollectibles:	
Benefit Overpayments	(73,072,958)
Net Total Receivables - Fund 20020 - UI	\$ 93,910,440

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, 2016, 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.

NOTE 8 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, 2016 were \$407,298. Rental expenditures for equipment for the fiscal year ended June 30, 2016 were \$234,481. The future minimum rental commitments as of June 30, 2016 were as follows:

Year Ending June 30,	Office Space	Equipment	Total
2017	\$ 433,380	\$ 294,483	\$ 727,863
2018	436,555	262,463	699,018
2019	439,825	191,322	631,147
2020	340,651	131,971	472,622
2021	172,922	-	172,922
2022 and Thereafter	638,661		638,661
Net Total	\$ 2,461,994	\$ 880,239	\$ 3,342,233

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 COMPENSATED ABSENCES

The changes to compensated absences are as follows:

	Balance, June 30, 2015	Increase	(Decrease)	Balance, June 30, 2016	Due Within One Year
Sick and Annual Leave	\$ 990,402	\$ 944,179	\$ (912,100)	\$ 1,022,481	\$ 1,022,481
Net Total	<u>\$ 990,402</u>	<u>\$ 944,179</u>	<u>\$ (912,100)</u>	<u>\$ 1,022,481</u>	<u>\$ 1,022,481</u>

Compensated absences are liquidated with resources from the Department's General Fund (SHARE Fund 32900).

NOTE 10 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, 2016.

Due to Other Funds				
SHARE Fund Name	SHARE Fund No.	General Fund (32900)	Penalty & Interest (61300)	Total
Enterprise Fund	20020	\$ 2,107	\$ 630,630	\$ 632,737
Total		<u>\$ 2,107</u>	<u>\$ 630,630</u>	<u>\$ 632,737</u>

NOTE 11 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, 2016 consist of the following:

Due To Other State Agencies			
DWS Fund No.	Agency	Other Agency's Fund No.	Amount
20020	State General Fund (Stale dated warrants)	85200	\$ 149
32900	State General Fund (Stale dated warrants)	85200	2,891
61300	State General Fund (Stale dated warrants)	85200	18
61400	State General Fund (Stale dated warrants)	85200	515
	Total		<u>\$ 3,573</u>

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 ACCUMULATED UNUSED/UNPAID ANNUAL AND SICK LEAVE

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. Employees 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 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 13 REVERSIONS

The Department had no reversions for the year ended June 30, 2016.

NOTE 14 UNEARNED REVENUE

The Department's unearned revenue in Fund 20020 as of June 30, 2016 consisted of the following:

Reed Act/UI Mod	\$ 4,587,601
Employer Prepayments	<u>7,231,171</u>
Total	<u><u>\$ 11,818,772</u></u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15 TRANSFERS

Transfers occurring during fiscal year ended June 30, 2016 are as follows:

Inter-fund transfers consist of the following:

Fund	Fund Description	Operating Transfers In	Operating Transfers Out
32900	General Fund	\$ 6,440,914	\$ -
20020	Unemployment Insurance Trust Fund		17,514
61300	Penalty and Interest	-	4,139,622
61400	Public Work Apprenticeship and Training	-	974,948
71100	Labor Enforcement Fund	-	1,308,830
	Total Inter-Fund Transfers	<u>\$ 6,440,914</u>	<u>\$ 6,440,914</u>

The inter-fund transfers that occurred during fiscal year ended June 30, 2016 primarily represent transfers from Special Revenue Funds for FY16 appropriations.

Inter-agency transfers consist of the following:

Agency	Fund	Governmental Funds	Operating Transfers In	Operating Transfers Out
63200	98200	Worker's Compensation Administration	\$ 1,498,200	\$ -
		Total Inter-Agency Transfers	<u>\$ 1,498,200</u>	<u>\$ -</u>

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

NOTE 16 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, 2016**

NOTE 16 PENSION PLAN – PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION (CONTINUED)

Funding Policy

The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The requirements may be amended by acts of the legislature. The Department’s contributions to PERA for the fiscal years ending June 30, 2016, 2015 and 2014 were \$3,018,441, \$2,959,625, and \$2,820,129, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 17 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

Funding Policy

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

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 17 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Funding Policy (Continued)

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, 2016, 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, 2016, 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, 2016, 2015 and 2014 were \$355,327, \$348,583, and \$341,056, respectively, which equal the required contributions for each year.

NOTE 18 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, 2016**

NOTE 19 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, 2016 follows:

	Major Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund
	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	\$ -	\$ 10,970,556	\$ -	\$ -
per Section 13-4-14.1 NMSA 1978	-	-	-	1,658,833
Public Works Apprenticeship & Training per Section 13-4D-2	-	-	1,719,936	-
Assigned *	669,243	-	-	-
Total Fund Balances	\$ 669,243	\$ 10,970,556	\$ 1,719,936	\$ 1,658,833

* 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 2017.

NOTE 20 RESTATEMENT OF REPORTED CHANGES IN NET POSITION

Due to an error contained in the accrued tax receivable balance of the Unemployment Insurance Trust Fund (Fund 20020) in the June 30, 2015 financial statements, a restatement in the amount of \$31,547,600 to the beginning net position was required.

Fund 20020 Net Position - June 30, 2015	\$ 215,981,007
Restatement	31,547,600
Fund 20020 Net Position - June 30, 2015 - as Restated	\$ 247,528,607
Business-Type Activities Net Position - June 30, 2015	\$ 215,981,007
Restatement	31,547,600
Business-Type Activities Net Position - June 30, 2015 - as Restated	\$ 247,528,607

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 21 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. At this time, management has not determined the impact, if any on the Department.

Statement No. 73

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported,
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions,

NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 21 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

3. Timing of employer recognition of revenue for the support of nonemployer contributing entities *not* in a special funding situation.

Statement No. 74

Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.
- This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 1 – SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
JUNE 30, 2016**

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	\$ 4,053,277	\$ -	\$ 4,053,277
Penalty and Interest - 61300	State Treasurer	9,858,337	-	9,858,337
PWAT - 61400	State Treasurer	1,720,451	-	1,720,451
Labor Enforcement Fund - 71100	State Treasurer	1,658,833	-	1,658,833
Total Governmental Funds with State Treasurer		17,290,898	-	17,290,898
Proprietary Funds Cash in Banks				
Benefit Account - 20020	Wells Fargo	6,012	-	6,012
V Warrant Account - 20020	Wells Fargo	-	(119,512)	(119,512)
Clearing Account - 20020	Wells Fargo	124,056	-	124,056
H Warrant Account - 20020	Wells Fargo	-	(78,862)	(78,862)
Cash Security Deposit Account - 20020	Wells Fargo	80,738	-	80,738
Total Proprietary Cash in Banks		210,806	(198,374)	12,432
Proprietary Funds Cash - Other				
Unemployment Trust Fund - 20020	U.S. Dept. of Treasury	334,179,727	-	334,179,727
Total Proprietary Funds Cash - Other		334,179,727	-	334,179,727
Total Funds (Excluding Agency Fund)		351,681,431	(198,374)	351,483,057
Trust and Agency Funds with State Treasurer (with SHARE Fund Numbers)				
Wage Claim - 17800	State Treasurer	25,928	-	25,928
Total Trust and Agency Funds with State Treasurer		25,928	-	25,928
Department Total - All Funds		<u>\$ 351,707,359</u>	<u>\$ (198,374)</u>	<u>\$ 351,508,985</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 2 – SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016**

	Wells Fargo	U.S. Department of the Treasury	Accounts at State Treasurer	Total
Total Amount of Deposit	\$ 210,806	\$ 334,179,727	\$ 17,316,826	\$ 351,707,359
Less FDIC	(250,000)	-	-	(250,000)
Total Uninsured Public Money	-	334,179,727	17,316,826	351,496,553
50% Collateral Requirement	-	167,089,864	8,658,413	175,748,277
State Agency Collateral Listing	A	B	C	A&B&C
Total Pledged	-	-	-	-
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 MEMORANDA OF UNDERSTANDING
JUNE 30, 2016**

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	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
NM Higher Education Department	Data Sharing FERPA Agreement	N/A	6/30/2012	9/12/2016	\$ -	\$ -	N/A	N/A
Isleta Business Corporation	Data Sharing User Access Agreement	N/A	6/30/2013	3/25/2016	\$ -	\$ -	N/A	N/A
Human Services Department	Data Sharing User Access Agreement	N/A	10/20/2012	6/30/2016	\$ -	\$ -	N/A	N/A
New Mexico Tax and Revenue Division	Data Sharing User Access Agreement	N/A	2/20/2013	2/19/2016	\$ -	\$ -	N/A	N/A
New Mexico Tax and Revenue Division	Information Exchange	N/A	11/6/2012	11/5/2015	\$ -	\$ -	N/A	N/A
Dept. of Justice - US Attorney	Data Sharing User Access Agreement	N/A	11/27/2012	11/26/2015	\$ -	\$ -	N/A	N/A
Human Services Division	Data Sharing User Access Agreement	N/A	11/27/2012	11/26/2015	\$ -	\$ -	N/A	N/A
Children, Youth and Families Department	Data Sharing User Access Agreement	N/A	12/17/2012	12/16/2015	\$ -	\$ -	N/A	N/A
New Mexico Corrections Department	Data Sharing User Access Agreement	N/A	12/4/2012	12/4/2015	\$ -	\$ -	N/A	N/A

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 3 – SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)
JUNE 30, 2016**

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
Florida Department of Economic Opportunity	Data Sharing User Access Agreement	N/A	12/10/2012	12/9/2015	\$ -	\$ -	N/A	N/A
Social Security Administration	Information Exchange	N/A	8/24/2012	8/23/2017	\$ -	\$ -	N/A	N/A
Central New Mexico Community College	Data Sharing User Access Agreement	N/A	9/19/2012	9/18/2015	\$ -	\$ -	N/A	N/A
Social Security Administration	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2017	\$ -	\$ -	N/A	N/A
New Mexico Division of Vocational Rehabilitation	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2015	\$ -	\$ -	N/A	N/A
Workers Compensation Administration	Data Sharing User Access Agreement	N/A	9/27/2012	9/26/2015	\$ -	\$ -	N/A	N/A
Railroad Retirement Board	Data Sharing User Access Agreement	N/A	9/28/2012	7/20/2016	\$ -	\$ -	N/A	N/A
Eastern Area Workforce Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 47,220	\$ 124,178	Both	Both
Northern Area Workforce Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 57,200	\$ 179,915	Both	Both
Southwest Area Workforce Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 20,709	\$ 54,610	Both	Both
Workforce Connection of Central New Mexico Board	Resource Sharing Agreement	NMDWS	Ongoing		\$ 168,030	\$ 259,923	Both	Both

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 3 – SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)
JUNE 30, 2016**

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
Advantage Payroll Services, Inc.	Access Agreement	N/A	4/6/2016	4/5/2017	\$ -	\$ -	N/A	N/A
Appriss Inc.	Proof of Concept Agreement	N/A	3/17/2016	12/31/2016	\$ -	\$ -	N/A	N/A
Central New Mexico Community College	UI Data Exchange	N/A	11/12/2015	11/11/2018	\$ -	\$ -	N/A	N/A
Central New Mexico Community College	Access Agreement	N/A	3/1/2016	2/28/2019	\$ -	\$ -	N/A	N/A
NM Commission for the Blind	UI Data Exchange	N/A	10/29/2015	10/28/2016	\$ -	\$ -	N/A	N/A
US Department of Justice	UI Data Exchange	N/A	12/1/2015	11/30/2018	\$ -	\$ -	N/A	N/A
NM Dept. of Information Technology	Property Lease from NMDWS	N/A	Ongoing		\$ -	\$ -	N/A	N/A
Eastern NM University - Roswell	Access Agreement	N/A	2/23/2016	2/22/2019	\$ -	\$ -	N/A	N/A
Eastern NM University - Ruidoso Branch Community College	Staff Agreement	Both	3/1/2016	6/30/2018	\$ 24,223	\$ -	N/A	Both
Community College	Employee Cost Sharing	N/A	4/1/2015	6/30/2018	\$ -	\$ -	N/A	Both
Central NM Community College	Inter-governmental Agreement	NMDWS	4/7/2016	6/30/2016	\$ 28,989	\$ -	N/A	Both
Mesalands Community College	Data Exchange	N/A	12/11/2015	12/10/2018	\$ -	\$ -	N/A	N/A
New Mexico State University	Access Agreement	N/A	12/23/2015	12/22/2018	\$ -	\$ -	N/A	N/A

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 3 – SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)
JUNE 30, 2016**

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
NM Corrections Dept.	Access Agreement	N/A	5/3/2016	5/2/2019	\$ -	\$ -	N/A	N/A
NM Children, Youth & Families Dept.	Access Agreement	N/A	2/18/2016	2/17/2019	\$ -	\$ -	N/A	N/A
NM Division of Vocational Rehabilitation	Access Agreement	N/A	10/2/2015	1/28/2017	\$ -	\$ -	N/A	N/A
Paychex, Inc.	Resource Sharing Agreement	N/A	4/6/2016	4/5/2017	\$ -	\$ -	N/A	N/A
Payday, Inc.	Resource Sharing Agreement	N/A	3/23/2016	3/22/2017	\$ -	\$ -	N/A	N/A
San Juan College	Data Sharing User Access Agreement	N/A	1/12/2016	1/11/2019	\$ -	\$ -	N/A	N/A
Santa Fe Community College	Resource Sharing Agreement	N/A	9/15/2015	9/14/2018	\$ -	\$ -	N/A	N/A
Santa Fe Community College	Resource Sharing Agreement	N/A	12/18/2015	12/17/2018	\$ -	\$ -	N/A	N/A
Regents of the University of New Mexico	Resource Sharing Agreement	N/A	9/3/2015	9/2/2016	\$ -	\$ -	N/A	N/A
Regents of the University of New Mexico	Data Sharing User Access Agreement	N/A	3/4/2016	3/3/2019	\$ -	\$ -	N/A	N/A
Policy Research	Resource Sharing Agreement	N/A	10/30/2015	10/29/2016	\$ -	\$ -	N/A	N/A

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
 SCHEDULE 3 – SCHEDULE OF MEMORANDA OF UNDERSTANDING (CONTINUED)
 JUNE 30, 2016**

Entity	Description	Responsible Party	Dates of Agreement		Project Amount	Department Portion	Audit Responsibility	Agency Reporting Revenues/ Expenses
			Beginning	Ending				
Workers Compensation Administration	Resource Sharing Agreement	N/A	8/7/2015	8/6/2018	\$ -	\$ -	N/A	Both
Workers Compensation Administration	UI Data Exchange	N/A	8/7/2015	8/6/2018	\$ -	\$ -	N/A	N/A

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 4 – SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUND
YEAR ENDED JUNE 30, 2016**

	<u>Balance, June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2016</u>
ASSETS				
Investment in State General Fund Investment Pool	\$ 18,284	\$ 23,696	\$ (16,052)	\$ 25,928
Total Assets	<u>\$ 18,284</u>	<u>\$ 23,696</u>	<u>\$ (16,052)</u>	<u>\$ 25,928</u>
LIABILITIES				
Amounts Held for Others	\$ 13,758	\$ 23,696	\$ (15,610)	\$ 21,844
Accounts Payable	<u>4,526</u>	<u>-</u>	<u>(442)</u>	<u>4,084</u>
Total Liabilities	<u>\$ 18,284</u>	<u>\$ 23,696</u>	<u>\$ (16,052)</u>	<u>\$ 25,928</u>

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE 5 – SCHEDULE OF VENDOR INFORMATION FOR
PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT) - UNAUDITED
YEAR ENDED JUNE 30, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work
63100	New Mexico Depart	State Agencies	16-631-9001-00003	Competitive (RFP or RFB)	Clifton Larson Allen	Winner	\$ 197,950.00	\$ -	500 Marquette, Suite 800 Albuquerque, NM 87102	Yes	No	FY16 Audit
63100	New Mexico Depart	State Agencies	16-631-9001-00001	Emergency	NM Horizons	Winner	\$ 99,059.56	\$ -	1128 Pennsylvania Street NE, Suite 220 Albuquerque, NM 87110	Yes	Yes	Janitorial
63100	New Mexico Depart	State Agencies	15-631-8001-00049A	Competitive (RFP or RFB)	Earth Care Cadre	Winner	\$ 191,034.00	\$ -	6600 Valentine Way, Bldg A Santa Fe, NM 87507	Yes	No	Provide improved food access and self reliance for low income families
63100	New Mexico Depart	State Agencies	15-631-8001-00049B	Competitive (RFP or RFB)	Rocky Mountain Youth Corps	Winner	\$ 522,750.00	\$ -	PO Box 1960 Ranchos de Taos, NM 87557	Yes	No	Public land improvement, trail construction/maint,
63100	New Mexico Depart	State Agencies	15-631-8001-00056C	Competitive (RFP or RFB)	EcoServants	Winner	\$ 283,519.00	\$ -	PO Box 1723 Ruidoso, NM 88355	Yes	No	Perform projects in Environmental Stewardship, Economic Opportunity and community engagement projects in Lincoln County, NM.
63100	New Mexico Depart	State Agencies	15-631-8001-00056D	Competitive (RFP or RFB)	Families and Youth INC	Winner	\$ 268,540.00	\$ -	1320 S Solano Las Cruces, NM 88004	Yes	No	Provide Sage Ager School Program, In School Support Program and Safe out-of-school Summer Program
63100	New Mexico Depart	State Agencies	15-631-8001-00056E	Competitive (RFP or RFB)	NMHU	Winner	\$ 140,081.00	\$ -	NMHU - Business Office Las Vegas, NM 87701	Yes	No	ACT Program will have 20 AmeriCorps members who will address the technology and design needs of 10 or more cultural institutions across NM.
63100	New Mexico Depart	State Agencies	15-631-8001-00056F	Competitive (RFP or RFB)	Capacity Builders	Winner	\$ 219,457.00	\$ -	PO Box 6517 Farmington, NM 87499	Yes	No	Combat bast adversities preventing Navajo children from succeeding.
63100	New Mexico Depart	State Agencies	15-631-8001-00056G	Competitive (RFP or RFB)	The Wellness Coalition	Winner	\$ 204,533.00	\$ -	207 Shakespeare Street Lordsburg, NM 88045	Yes	No	Coordinate service-learning experiences for youth to learn job skills in Catron, Grant, Hidalgo and Luna Counties of southwest NM.
63100	New Mexico Depart	State Agencies	16-631-5001-00049	Sole Source	Geo	Winner	\$ 799,999.99	\$ -	1001 Omaha Circle Palm Harbor, FL 34683	No	No	Software/Support for VOS
63100	New Mexico Depart	State Agencies	15-631-5001-00059	Competitive (RFP or RFB)	Deloitte	Winner	\$ 5,925,661.00	\$ -	PO Box 844717 Dallas, TX 75284	No	No	APPS for NMDWS Enterprise Systems
63100	New Mexico Depart	State Agencies	15-631-5001-00059A	Competitive (RFP or RFB)	Deloitte	Winner	\$ -	\$ 279,345.00	PO Box 844717 Dallas, TX 75284	No	No	APPS for NMDWS Enterprise Systems
63100	New Mexico Depart	State Agencies	15-631-5001-00059A	Competitive (RFP or RFB)	Deloitte	Winner	\$ -	\$ 250,000.00	PO Box 844717 Dallas, TX 75284	No	No	APPS for NMDWS Enterprise Systems
63100	New Mexico Depart	State Agencies	16-631-5001-00028	Competitive (RFP or RFB)	TEK Systems	Winner	\$ 227,594.30	\$ -	PO Box 198568 Atlanta, GA 30384	No	No	Software Testing
63100	New Mexico Depart	State Agencies	16-631-5001-00029	Competitive (RFP or RFB)	TEK Systems DBA Support	Winner	\$ 189,503.07	\$ -	PO Box 198568 Atlanta, GA 30384	No	No	Database Testing
63100	New Mexico Depart	State Agencies	16-631-5001-00046	Competitive (RFP or RFB)	TekSystems Useability	Winner	\$ 67,142.25	\$ -	2155 Louisiana Blvd NE, Suite 6700 Albuquerque, NM 87110	Yes	No	Usability Assesment and Business Process Improvement

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Amount Passed Through to Subrecipients	Federal Participating Expenditures
U.S. Department of Labor:			
Labor Force Statistics	17.002	\$ -	\$ 767,649
Unemployment Insurance	17.225	-	208,690,720
Trade Adjustment Assistance Workers	17.245	-	2,848,095
Work Opportunity Tax Credit Program	17.271	-	118,634
Temporary Labor Certification for Foreign Workers	17.273	-	79,895
Workforce Investment Act Dislocated Workers - National Reserve	17.281	-	113,839
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282	-	477,519
Employment Service Cluster:			
Employment Services	17.207	-	6,936,559
Disabled Veteran's Outreach Program	17.801	-	694,293
Local Veteran's Employment Representative Program	17.804	-	426,985
Total Employment Service Cluster		-	<u>8,057,837</u>
Workforce Investment Act Cluster:			
Workforce Investment Act Adult Program	17.258	4,342,224	4,549,723
Workforce Investment Act Youth Activities	17.259	4,466,515	4,946,325
Workforce Investment Act Dislocated Workers	17.278	4,770,616	5,425,571
Total Workforce Investment Act Cluster		<u>13,579,355</u>	<u>14,921,619</u>
Total U.S. Department of Labor		13,579,355	236,075,807
U.S. Equal Employment Opportunity Commission:			
Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	-	180,873
Total U.S. Equal Employment Opportunity Commission		-	<u>180,873</u>
U.S. Corporation for National and Community Service:			
State Commissions	94.003	-	187,455
AmeriCorps	94.006	1,806,100	1,832,696
Total U.S. Corporation for National and Community Service		<u>1,806,100</u>	<u>2,020,151</u>
Total Federal Awards Expended		<u>\$ 15,385,455</u>	<u>\$ 238,276,831</u>
Reconciliation to the Financial Statements			
Governmental Funds - Federal Revenue			\$ 42,771,166
Proprietary Funds - Federal Revenue			<u>3,272,825</u>
Total Federal Revenue			46,043,991
Unemployment Benefit Distributions from State Trust Fund			192,232,840
Total			<u>\$ 238,276,831</u>
Reconciliation of Unemployment Benefit Distributions to the Financial Statements			
Unemployment Benefit Distributions from State Trust Fund			\$ 192,232,840
Unemployment Benefit Distributions from Federal Program Accounts			<u>3,272,825</u>
Total Unemployment Benefit Distributions			<u>\$ 195,505,665</u>

See Notes to Supplemental Schedule of Expenditures of Federal Awards.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

GENERAL

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Department. The Department has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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 financial statements.

NON-CASH ASSISTANCE

The Department did not receive any federal non-cash assistance during the year ended June 30, 2016.

LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2016.

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 \$192,232,840.

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. During the year ended June 30, 2016 the Department didn't have any expenditures related to the Reed Act.

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 INNOVATION AND OPPORTUNITY 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 SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

SUBRECIPIENTS

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

1. The Northern Area Local Workforce Development Board (NALWDB/53895) is one of four regional workforce boards established in compliance with the Workforce Innovation and Opportunity Act (WIOA) and certified by the New Mexico Governor. WIOA funds are allocated in three subparts: Adult, Dislocated Worker and Youth. The board received the following Federal support through the Department in fiscal year 2016:

WIOA-Adult	\$ 1,018,955
WIOA-Youth	\$ 735,468
WIOA-Dislocated	\$ 1,131,825

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 2016:

WIOA-Adult	\$ 717,521
WIOA-Youth	\$ 607,344
WIOA-Dislocated	\$ 537,433

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, Torrance, 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 2016:

WIOA-Adult	\$ 1,566,082
WIOA-Youth	\$ 2,141,551
WIOA-Dislocated	\$ 2,239,004

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 2016:

WIOA-Adult	\$ 1,039,666
WIOA-Youth	\$ 982,152
WIOA-Dislocated	\$ 862,352

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

5. The subrecipients of AmeriCorps received the following Federal support through the Department in fiscal year 2016:

The City of Albuquerque (53406) To provide leadership in the management and development of quality employment services to the general public and city department; effective personnel administration in compliance with City mandates and State and Federal laws; to provide for and encourage employee personal professional development.

AmeriCorps Formula \$ 14,830

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 \$ 206,076

Capacity Builders (104135) has dedicated its resources, determination and passion to working with the Dine` (a traditional term for the Navajo) and other Native American communities in the United States. Through training and support programs so they are better able to improve the lives of Native American communities in the United States. Through training and support programs so they are better able to improve the lives of Native American youth and families.

AmeriCorps Formula \$ 240,742

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 \$ 90,285

ECO Servants (9356) To directly engage the community through service towards a more sustainable future.

AmeriCorps Formula \$ 273,490

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 \$ 7,434

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 \$ 86,922

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
NOTES TO SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

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 Formula \$ 543,264

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 \$ 263,191

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 Formula \$ 17,869

AppleTree Educational Center (114956) AppleTree Educational Center is a faith-based, nonprofit 501(c)3 organization whose mission is to provide comprehensive family support services by providing high quality and affordable programs for Sierra County families with children.

AmeriCorps Formula \$ 1,001

Assistance Dogs of the West (51655) The mission of Assistance Dogs of the West (ADW) is to build successful working partnerships between clients and dogs that empower people and opens doors to new opportunities.

AmeriCorps Formula \$ 24,338

Teach for America Inc. (57399) The mission of TFA is to be a national corps of leaders who commit to teaching in low income schools and work to increase their students' opportunities in life..

AmeriCorps Formula \$ 36,659

**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. Timothy Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 29, 2016.

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 material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 material weakness (2016-005).

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

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 (2016-006).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and questions costs as items (2016-004 and 2016-007).

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
November 29, 2016



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

Celina Bussey, Cabinet Secretary
New Mexico Department of Workforce Solutions and
Mr. Timothy Keller
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 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2016. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items (2016-001, 2016-002, and 2016-003). Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items (2016-001, 2016-002, and 2016-003), that we consider to be significant deficiencies.

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

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

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

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 29, 2016

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material 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 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA

Number(s)	Name of Federal Program or Cluster
17.225	Unemployment Insurance

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, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-005 (Original Finding 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 to 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, which the Department continues to address. During the period under audit, the following are the most significant issues identified as it relates to the financial reporting and accounting of the UI fund, which were the contributing factors to the restatement in the amount of \$31,547,600 to the UI fund:

- The Department lacks procedures to reconcile all activity and balances of the UI fund as reported in SHARE on a monthly basis. As a result, an excessive amount of material audit and client identified adjustments were required as of June 30, 2016.
- The Department lacks the ability to generate the necessary reports from the uFACTS system that are required to post the year-end closing entries to the UI fund in a timely manner. As a result, management of the Department and the auditors worked with the programmers to run various queries from the system to obtain the necessary information for the year-end closing entries.

Management's Progress for Repeat Findings: Management continues to work with the programmers to develop the necessary reports related to the UI fund; however, management still has not established processes to reconcile the accounts within the UI fund during the course of the fiscal year.

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 all of the appropriate reports required for the Department's monthly and annual financial reporting. In addition, some of the reports were available; however, they were to be run at the end of the year, which the Department failed to do.

Effect: Misstatements to the financial statements, possible misappropriation of assets.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2016-005 (Original Finding 2014-002) UI Financial Reporting and Accounting (Material Weakness) (Continued)

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. In addition, we recommend that the Department develop processes to reconcile all activity and balances within the UI fund on a monthly basis.

Management’s Response: Management is in agreement with this finding. The Financial Accounting and Reporting Manager is responsible for ensuring timely reconciliations of all financial statement line items between the uFACTS system and SHARE. The general ledger unit experienced significant turnover during fiscal year 2016 and was unable to complete timely reconciliations between SHARE and uFACTS. The Financial Accounting and Reporting Manager was hired in October 2016 and has implemented an action plan that will reconcile each SHARE account number to the uFACTS by the end of fiscal year 2017.

The Financial Reporting Enhancement project launched in July 2015 for Claims and Tax implemented new code along with an intermediary table to ensure all fiscal data was captured from all tables. In September 2016, Claims rolled out to include a Trial Balance report with new fields to identify and reconcile daily deposits and financial transactions from the sub-ledger, uFACTS. Two (2) new reports were created: a) Claims Disbursement report, which includes all charges to all programs for benefits paid to include offsets, child support, and federal withholding, eliminating the use of the “Claims Register of Benefit Payments report”, used for the daily draw; and b) Claims Revenue Report, which includes all revenues received for overpayment recoveries by program and payment method. Both of these reports draw data from the tables directly, resulting in data capture.

Both reports are currently being used for the daily benefit draw; the expenses drawn from each program are net of any revenue received.

The Claims Accounts Receivable report and Aging report were completed after extensive testing and are functional reports.

Tax is scheduled to be implemented in December 2016 to include new code, an intermediary table, and Trial Balance report with new fields, Revenue and Disbursement report. The Department will continue to work on other financial reports after the project has been completed and will continue to test data to ensure all financial output is reliable and complete, which will eliminate the use of queries for the financial audit. Data capture and any year end reports will be run ending June 30 of the fiscal year for sample testing.

The Cash Remediation II Project has been extended to May 2017. All expenses in the “5518” and “5537” are currently recorded in the SHARE Accounts Receivable module. Flat files will be sent to DFA electronically to record all bank transactions for the Disbursement Accounts “5518” and “5537”.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2016-005 (Original Finding 2014-002) UI Financial Reporting and Accounting (Material Weakness) (Continued)

Management’s Response (Continued): The Department has utilized a Project Manager, Business Analysts, Developers and Testers to analyze and stabilize financial reports. The goal for completing this project by June 2016 was not accomplished due to extensive code and artifacts that had to be re-written. Completion of this project has been extended to December 2016. Testing of all financial transactions will continue after implementation, and defects discovered will be logged and fixed in builds for the duration of the year, to ensure reliability of all financial reports. The CFO, with the assistance of the UI Director, Deputy Director, and the CIO are responsible for resolving this finding.

2016-006 Internal Control over Financial Close and Reporting (Significant Deficiency)

Condition: During our audit, the following issues were noted as it relates to the Department’s financial close and reporting process:

- The Department lacked procedures to ensure the activity and balances of all funds of the Department were reconciled on a monthly basis during the fiscal year. As a result, an excessive amount of client- and auditor-identified adjustments were required.
- The client-prepared schedule for the accounts receivable in the general fund has a variance compared to the trial balance in the amount of approximately \$296,000; this is considered an uncorrected misstatement in the Department’s financial statements.
- The client prepared capital asset listing revealed the following issues:
 - The Department was unable to specifically identify the current year’s asset disposals on the capital asset listing for proper removal.
 - The accumulated depreciation of some assets exceeds the actual cost of the assets.

Criteria: NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

Cause: Turnover within the Department and lack of effective internal controls relating to the financial close and reporting process.

Effect: Possible misstatements of the financial statements and untimely financial reporting.

Recommendation: We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure timely and accurate financial statements.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2016-006 Internal Control over Financial Close and Reporting (Significant Deficiency)
(Continued)**

Management's Response: Management is in agreement with this finding. The Financial Accounting and Reporting Manager is responsible for ensuring that all reporting of financial information be timely, complete, and accurate. The general ledger unit experienced significant turnover during fiscal year 2016 and lacked documented procedures for ensuring that all reporting of financial information was timely, complete, and accurate. A new Financial Accounting and Reporting Manager was hired in October 2016 and has implemented an action plan that will allow for the reporting of financial information to be timely, complete, and accurate by the fiscal year 2017 closing schedule provided by the New Mexico Department of Finance and Administration.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2016-001 – (Original Finding 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-26551-15-55-A-35 (2015), UI-27993-16-55-A-35 (2016)

Condition: During our single audit reporting test work, we noted 1 of 22 reports (1 ETA 581) tested, which lacked sufficient information to determine whether or not the report submitted to the federal agency was reporting accurate data.

Management's Progress for Repeat Findings: Management continues to work with the programmers to obtain the necessary information to submit accurate reports to the Department of Labor.

Criteria: Per the compliance supplement, the Department is required to submit the ETA 581 report on a quarterly basis, which should include accurate information.

Cause: Due to the relatively recent implementation of the UI system, the Department is still working on developing accurate reports for reporting purposes.

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

Auditor's Recommendation: We recommend that the Department continue its efforts to test the accuracy of the federal reports submitted to the Department of Labor.

Management's Response: A business case was drafted and submitted to NMDWS' Project Management Office on August 14, 2015 to correct all inaccuracies with the ETA 581 Report. The ETA 581 Business Case was reviewed and updated on 11/16/2016 to ensure the latest developments related to the ETA 581 were addressed in the business case. The project request was granted and the project has been prioritized but has not been scheduled due to other higher priority projects and competing resources. In the interim, staff continues to log, prioritize and schedule system Change Requests (CR) to address known issues and inaccuracies. Below are the most current open system change requests related to the ETA 581:

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

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

2016-001 – (Original Finding 2008-003) Federal Grant Reporting (Significant Deficiency, Instance of Non-Compliance) (Continued)

Management’s Response (Continued):

9404	10842	Active - No Task	Tax: Employer Registration - Create FUTA registration workflow
9405	10843	Active - Task	Cancel new employer registrations who have failed to file wage detail
3894	4001	Active – (2) Tasks and Bug Recorded	Audit Activity, c67
14915	14955	Active - Task	Employer Registration modifications to include auto HT, CMoP and cancel batch processes
18506	20114	Active – Task	Tax (Field): Audit Findings - Total Amount Due

2016-002 (Original Finding 2015-002) – Benefit Accuracy Measurement (BAM) (Significant Deficiency, Instance of Non-Compliance)

Applicable Compliance Requirement: Special Tests

Federal Program: CFDA 17.225 Unemployment Insurance

Federal Agency: Department of Labor

Federal Award Number/Year: UI-26551-15-55-A-35 (2015), UI-27993-16-55-A-35 (2016)

Condition: During our test work over the BAM sampling; we selected 40 cases for testing and noted that the Department was unable to locate 1 file for our testing. Upon further research by the Department, it was determined to be an invalid case number due to a sequencing error contained in the spreadsheet listing of all cases.

Management’s Progress for Repeat Findings: The Department continues to work on the processes as it relates to the BAM requirements and has not yet established adequate controls surrounding every requirement of BAM.

Criteria: The Department should have procedures in which all files are maintained and available for subsequent review.

Cause: Management oversight and lack of adequate internal controls over the BAM requirements.

Effect: Non-compliance with the BAM requirements.

Auditor’s Recommendation: We recommend that management evaluate the internal controls surrounding the BAM requirements and establish an adequate internal control structure to ensure compliance with the federal regulations.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

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

2016-002 (Original Finding 2015-002) – Benefit Accuracy Measurement (BAM) (Significant Deficiency, Instance of Non-Compliance) (Continued)

Management’s Response: In December 2015, New Mexico Department of Workforce Solutions (NMDWS) Quality Control supervisor completed the review and revision of the BAM Standard Operating Procedures. The QC supervisor met with staff to discuss the procedures and all the amendments in the Standard Operating Procedure to include adequate internal controls. The Quality Control supervisor had staff sign an acknowledgement form indicating they understand and will comply with the new BAM procedures in accordance with federal regulations. The Quality Control supervisor will meet with staff in December 2016 to revisit the BAM Standard Operating Procedure and the importance of internal control compliance.

2016-003 (Original Finding 2012-001) – Payroll Charges to Federal Grants (Significant Deficiency, Instance of Non-Compliance)

Applicable Compliance Requirement: Allowable Costs/Cost Principles

Federal Program: CFDA 17.225 – Unemployment Insurance

Federal Agency: Department of Labor

Federal Award Number/Year: UI-26551-15-55-A-35 (2015), UI-27993-16-55-A-35 (2016)

Condition: During our testing over allowable costs, the following issues were noted:

- The Department lacked a time and effort certification on 1 out of 40 payroll transactions tested.
- The Department does not have written procedures in place for determining the allowability of costs as required by the new uniform guidance.

Management’s Progress for Repeat Findings: The Department continues to work on the processes as it relates to payroll charges to federal grants and has not yet established adequate controls surrounding the processes to ensure compliance.

Criteria: Per section 200.302 Financial Management, “The financial management system of each non-Federal entity must provide for written procedures for determining the allowability of costs in accordance with Subpart E - Cost Principles of this part and the terms and conditions of the Federal Award. In addition, per section 200.430 (8) (1) which states “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed: the records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated”.

Cause: Management oversight and employee turnover within the grants department which contributed to the conditions identified.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

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

2016-003 (Original Finding 2012-001) – Payroll Charges to Federal Grants (Significant Deficiency, Instance of Non-Compliance) (Continued)

Effect: Non-compliance with the Uniform guidance.

Auditor’s Recommendation: We recommend that management establish written procedures over all federal grants and provide training as necessary to ensure compliance with applicable requirements.

Management’s Response: Workforce Transition Services implemented a corrective action plan during fiscal year 2016. Random audits are conducted of payable time detail for all statewide employees. Workforce Transition Services performs a monthly review of the payable time detail on a 10% sampling basis. As of November 2016, all internal audits have passed the evaluation with no findings and managers have been informed to generate a payable time detail on the last day of employment for an employee that is leaving the Department.

The Department continues to tighten controls on payroll transactions. The Financial Management Bureau along with other department staff are actively working on the development and implementation of written policies and procedures that ensure departmental compliance with the new uniform grant guidance. A task force within the Financial Management Bureau will be meeting bi-weekly to discuss all regulations and requirements of the new uniform grant guidance and provide necessary personnel with their conclusions in order to implement and train staff on new written policies and procedures. The Department shall have implemented these new policies by the end of the current fiscal year.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION IV – OTHER FINDINGS

2016-004 – Purchasing Card (Compliance and Other Matters)

Condition: During our testing of purchasing card (P-Card) purchases, we noted the following issues:

- Out of the 3 months of credit card statements tested, 8 card holder statements included a purchase requisition form that lacked appropriate authorization.
- 7 card holder statement packets did not include quotes for the purchased items as required.
- 1 card holder statement included purchases of uniforms, which is an unallowable P-Card purchase per the Department's P-Card Policy and Procedures.

Criteria: Per agency P-Card Policy and Procedures authorized by DFA, pursuant the New Mexico Card Services GSD/SPD Statewide Price Agreement. The P-cardholder must obtain a program manager or supervisor signature or e-mail approval on all proposed orders on a statewide price agreement or P-Card quote form for direct purchases that provided to the program P-card administrator to support the purchase request before purchases are performed or orders are submitted. The P-card may not be used for purchases that deviate from State of New Mexico, the Department of Finance and Administration (DFA), Financial Control Division (FCD) policies and procedures, DFA/FCD's Procurement Card Listing for Restricted Items, any laws, rules, policies, state statutes governing the purchase of goods and services and these Policies and Procedures (hereafter referred to as NMDWS P-Card Policies and Procedures). Ineligible purchases include but are not limited to personal items, insurance, laundry, dry cleaning, medical, lab, drugs, clothing, uniforms and linen.

Cause: Lack of internal controls surrounding the use of P-Cards. P-cardholder agreements are only signed initially when the employee received the card; thus, annual review of policies and acknowledgement of P-Card agreement is not occurring. Untimely review and lack of adequate oversight by management as it relates to the use of P-Cards.

Effect: Non-compliance with the applicable P-Card policy and procedures.

Auditor's Recommendation: We recommend that management complete training of all employees involved in P-Card operations and all card holders sign an annual P-cardholder agreement.

Management's Response: Corrective action was taken in June 2016 as each card holder was instructed to begin obtaining prior approval before any purchase beginning with July FY17. Failure to do so would result in suspension of P-Card privileges. Each cardholder has been compliant since July.

Agency will ensure quotes are submitted with each statement.

Agency will ensure that purchases do not deviate from policies and procedures by closely reviewing requests prior to authorization and approval to move forward with purchase.

Auditor's recommendation of training all employees involved in P-Card operations will take place in March 2017 as well as signing annual P-Cardholder agreements. NMDWS will continue to provide annual trainings.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION IV – OTHER FINDINGS (CONTINUED)

2016-004 – Purchasing Card (Compliance and Other Matters) (Continued)

Management’s Response (Continued):

- For Technical or Security emergencies, the agency will use email approvals for purchases until formal documentation can be provided, as long as the purchase meets all other P-Card purchase requirements.
- NMDWS will update the annual P-Card training information to include clarification for items identified in these findings.

2016-007 Information Technology (Compliance and Other Matters)

Condition: During our IT related procedures for the Department, we noted the following observations that could be strengthened by the Department:

- User access requirements can change as a result of several factors, including transfers, terminations, promotions, reorganization, and department or Department growth. Audits of user accounts and their access level are not performed on a regular basis for the UIA and SHARE applications.
- We noted that the Department has a disaster recovery plan but it was last updated in 2010. Although the Department has taken various measures to address brief interruptions to systems processing (such as regular back-ups and redundancy and data center off-site), the formal plan is still needs to be updated to address the recovery and resumption of critical systems and data in the event of an interruption.
- We noted that the Department had one administrative assistant with access to the Department’s data center.

Criteria:

- In accordance with ISACA’s Control Objectives for Information and related Technology (COBIT) 5framework (DSS05), to manage security services, management should regularly review all accounts and related privileges.
- In accordance with ISACA’s Control Objectives for Information and related Technology (COBIT) 5 framework (DSS04), to ensure continuous service, a Disaster Recovery and Business
- Continuity Plans need to be developed and tested to reduce impact of a major disruption on key business functions and processes.
- In accordance with ISACA’s Control Objectives for Information and related Technology (COBIT) 5framework (DSS05), to manage security services, management should ensure physical access to IT assets is restricted to job function and responsibilities.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION IV – OTHER FINDINGS (CONTINUED)

2016-007 Information Technology (Compliance and Other Matters) (Continued)

Cause:

- The Department has been focusing on the Active Directory by checking for inactive users on the Active Directory.
- The Department has tested the disaster recovery plan and performed table top exercises but has not update the plan to reflect the results.
- The Department has reviewed in the past and the three individuals were missed.

Effect:

- The Department should conduct a formal review of all UIA and SHARE user accounts and their access level should be performed every year. The review process should be documented, and sign-off should be obtained from IS personnel completing the review. The review should ensure that all user accounts are assigned to current employees by comparing a system account listing to a current employee list from Human Resources. In addition, a review of access levels should be performed by comparing the user's current access rights listed on the system to those listed on their access form, and by confirming the user's access rights with their departmental manager.
- Without an updated disaster recovery plan, some personnel may not know how to execute the plan in the event of a disaster.
- Unauthorized or malicious activity could occur on the organization's technical infrastructure due to inappropriate access to the Department's data center.

Auditor's Recommendation:

- The Department should continue their efforts to finalize and implement the disaster recovery plan to address supporting computing and communication of information systems and data.
- The Department should review and update the disaster recovery plan to make sure it is up to date. The plan should be reviewed at least annually.
- The Department should remove the access to the computer room for the identified individual.

Management's Response: NMDWS has been working toward establishing the technology infrastructure to support real-time fail over capacity for our primary critical applications. We have recently completed the infrastructure upgrade and plan to review the Disaster Recovery Plan and update it relative to this solution. Our DR plan will include a new template which provides the appropriate tracking and review process. The first draft is expected in March 2017 with finalization by June 2017. Tabletop testing and live testing will subsequently be scheduled. The CIO is responsible for resolving this finding.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

SECTION IV – OTHER FINDINGS (CONTINUED)

2016-007 Information Technology (Compliance and Other Matters) (Continued)

Management’s Response (Continued):

WTD Response to 2016 DR Plan finding:

On September 16, 2016, NMDWS received notification of approval of funding to address the deficiency for Disaster Recovery (DR) plans. The requirements for this funding are a broader Contingency Plan of which the DR Plan is a significant component.

In the last year, NMDWS has been vetting vendors for this anticipated funding. We are currently in negotiations for the final contract deliverables for this project with a state approved vendor for this service. Services for this project are targeted to begin January 16, 2017 with the final deliverable to be submitted for review and approval within 6-months of the start date.

On August 30, 2016, WTD completed a Tabletop exercise that is documented in the following file: “2016-Table Top TestingAugust30”. This exercise included IT Operations and Infrastructure staff as training and preparation for development of the DR Plan. The scenario was a simulated power outage and the related restoration of IT services.

Badge Access for the administrative assistant was updated to remove server room access and limit access to only general access including employee entrance, stairwell/elevator, and network staff offices. This is documented by an email attachment from Human Resources staff who updated the badge authorizations.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

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

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 to 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 the lack of an account reconciliation process, adjustments to accounts receivable totaled approximately \$12M and adjustments to other liabilities totaled approximately \$21M.
- 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.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2015-001 (Original Finding # 2008-003) Federal Grant Reporting (Significant Deficiency, Instance of Non-Compliance) – Repeated and Updated

Applicable Compliance Requirement: Reporting

Federal Program: CFDA 17.225 Unemployment Insurance

Federal Agency: Department of Labor

Federal Award Number/Year: UI-22329-12-55-A-35 (2012), UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35, UI-26411-14-60-A-35 (2014)

Condition: During our A-133 single audit reporting test work, we noted 4 of 20 reports (2 ETA 581 and 2 ETA 227) tested which did not have sufficient information to determine that the reports submitted to the federal agency were reporting accurate data.

2015-002 Benefit Accuracy Measurement (BAM) (Significant Deficiency, Instance of Non-Compliance) – Repeated and Updated

Applicable Compliance Requirement: Special Tests

Federal Program: CFDA 17.225 Unemployment Insurance

Federal Agency: Department of Labor

Federal Award Number/Year: UI-22329-12-55-A-35 (2012), UI-23908-13-55-A-35 (2013), UI-25222-14-55-A-35, UI-26411-14-60-A-35 (2014)

Condition: During our test work over the BAM sampling; we selected 40 cases for testing and noted the following exceptions:

- 2 files could not be located
- 1 file was missing documents such as the data collection report and the summary of investigation.
- 2 Summary of Investigation reports did not include the investigator's signature who conducted the review.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016**

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

2015-003 (Original Finding # 2012-001) Payroll Charges to Federal Grants (Significant Deficiency, Instance of Non-Compliance) – Repeated and Updated

Applicable Compliance Requirement: Allowable Costs/Cost Principles

Federal Program: CFDA 17.207/17.801/17804 – Employment Services and CFDA 17.225 – Unemployment Insurance

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 17.207/17.801/17804 – Employment Services – Award Number:** ES-23013-12-55-A-35 (2012)

The Department lacked a time and effort certification on 1 out of 40 payroll transactions tested.

- **CFDA 17.225 – Unemployment Insurance – Award Number:** UI-26411-14-60-A-35 (2014)

The Department lacked the time and effort certifications on 4 out of 40 payroll transactions tested.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016**

SECTION IV – OTHER FINDINGS

2015-004 Travel and Per Diem (Compliance and Other Matters) - Resolved

Condition: When reviewing the documentation for 10 individuals who received per diem in excess of \$1,500, we noted 1 which lacked a notification memo to the Secretary prior to travel.

2015-005 Procurement (Compliance and Other Matters) - Resolved

Condition: During our internal control test work over disbursements, it was noted that 1 of the 22 disbursements tested, in the amount of approximately \$2,525, lacked evidence of approval of the purchase prior to receiving the goods/services.

2015-006 – Disaster Recovery Plan (Compliance and Other Matters) – Repeated and Updated With Finding 2016-007

Condition: During our test work over the information technology area of the Department, we noted that the disaster recovery plan was out of date.

**NEW MEXICO DEPARTMENT OF WORKFORCE SOLUTIONS
EXIT CONFERENCE
JUNE 30, 2016**

An exit conference was held with the Department on November 30, 2016. The conference was held at the Department's offices in 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
Sara Brownstein, Financial Reporting and Accounting Manager

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Principal
Elizabeth Nunez, CPA, 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.