

OFFICE OF THE STATE AUDITOR
Timothy M. Keller



Health Policy Commission

Financial Statements

**For the years ended June 30, 2010, June 30, 2011, and
June 30, 2012**

(With Independent Auditor's Report Thereon)

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
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June 30, 2010, June 30, 2011, and June 30, 2012**

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**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Official Roster
June 30, 2010, June 30, 2011, and June 30, 2012**

Administrative Officials

Entity was dissolved on June 1, 2012



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Ron Spilman, Controller
New Mexico Department of Finance and Administration
Santa Fe, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of the State of New Mexico Health Policy Commission (Commission) as of and for the years ended June 30, 2010, 2011, and 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management.

Due to the dissolution of the Commission, adequate records were not maintained and available. The Commission's records do not permit the application of auditing procedures for the fiscal years audited. As noted in finding 2010-005 the Commission could not provide documentation that the cash reconciliations were performed and that cash was fairly stated as of the end of fiscal years 2010, 2011, and 2012. Also, as noted in finding 2010-006 the Commission could not provide supporting documentation that the prepaid balance related to postage was correct at fiscal year-end 2010, 2011, and 2012. Furthermore, the Commission was unable to provide support that the postage was properly transferred to the Department of Health. As noted in finding 2010-007 the Commission did not provide a capital asset listing of its assets. In addition, the Commission was unable to provide support that the assets were properly transferred to the Department of Health.

Due to the lack of adequate records we were unable to obtain sufficient evidential matter and we were not able to apply other auditing procedures to satisfy ourselves as to the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The scope of our work was not sufficient to enable us to express, and we do not express an opinion on the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2010, 2011, and 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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As discussed in Note 2, the financial statements of the Commission are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2010, 2011, and 2012, and the respective changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 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, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our disclaimer of opinion on the basic financial statements is not affected by this missing information.

Office of the State Auditor

New Mexico Office of the State Auditor

June 20, 2016

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF NET ASSETS
June 30, 2010**

| | <u>Governmental Activities</u> |
|---------------------------------------|---|
| ASSETS | |
| Current Assets: | |
| State General Fund Investment Pool | \$ 233,702 |
| Prepaid Expenses | 86,536 |
| Total Current Assets | 320,238 |
| Capital Assets: | |
| Capital Assets, Net of Depreciation | 18,104 |
| Total Capital Assets | 18,104 |
| Total Assets | 338,342 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable and Accrued Expenses | 2,004 |
| Payroll Benefits & Taxes Payable | 7,130 |
| Accrued Wage Payable | 23,038 |
| Compensated Absences Payable | 19,030 |
| Due to State General Fund | 179,728 |
| Other Liabilities | 8 |
| Total Current Liabilities | 230,938 |
| Total Liabilities | 230,938 |
| NET ASSETS | |
| Invested In Capital Assets | 18,104 |
| Restricted | 86,536 |
| Unrestricted | 2,764 |
| Total Net Assets | \$ 107,404 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF NET ASSETS
June 30, 2011**

| | <u>Governmental Activities</u> |
|---------------------------------------|---|
| ASSETS | |
| Current Assets: | |
| State General Fund Investment Pool | \$ 69,387 |
| Prepaid Expenses | 86,536 |
| Total Current Assets | 155,923 |
| Capital Assets: | |
| Capital Assets, Net of Depreciation | 13,531 |
| Total Capital Assets | 13,531 |
| Total Assets | 169,454 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable and Accrued Expenses | - |
| Payroll Benefits & Taxes Payable | 272 |
| Accrued Wage Payable | 27,673 |
| Compensated Absences Payable | 562 |
| Due to State General Fund | 421 |
| Other Liabilities | 7 |
| Total Current Liabilities | 28,935 |
| Total Liabilities | 28,935 |
| NET ASSETS | |
| Invested in Capital Assets | 13,531 |
| Restricted | 86,536 |
| Unrestricted | 40,451 |
| Total Net Assets | \$ 140,518 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF NET ASSETS
June 30, 2012**

| | <u>Governmental Activities</u> |
|---------------------------------------|---|
| ASSETS | |
| Current Assets: | |
| State General Fund Investment Pool | \$ 73,794 |
| Prepaid Expenses | 86,536 |
| Total Current Assets | 160,330 |
| Capital Assets: | |
| Capital Assets, Net of Depreciation | 8,958 |
| Total Capital Assets | 8,958 |
| Total Assets | 169,288 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable and Accrued Expenses | - |
| Payroll Benefits & Taxes Payable | (21) |
| Accrued Wage Payable | 27,673 |
| Compensated Absences Payable | 531 |
| Due to State General Fund | 420 |
| Other Liabilities | 7 |
| Total Current Liabilities | 28,610 |
| Total Liabilities | 28,610 |
| NET ASSETS | |
| Invested in Capital Assets | 8,958 |
| Restricted | 86,536 |
| Unrestricted | 45,184 |
| Total Net Assets | \$ 140,678 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2010**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expense)</u> |
|-------------------------------|-----------------|-----------------------------|---|----------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Governmental Activities: | | | | |
| Public Health | \$ 609,283 | \$ 1,100 | \$ - | \$ - |
| Total governmental activities | <u>609,283</u> | <u>1,100</u> | <u>-</u> | <u>-</u> |

General Revenues:

| | |
|--------------------------------------|-------------------|
| Reversions to the State General Fund | (179,337) |
| General Fd. Appropriation | 805,700 |
| Miscellaneous Revenue | 2,868 |
| Total General Revenues | <u>629,231</u> |
| Change in Net Assets | 21,048 |
| Net Assets - Beginning | <u>74,811</u> |
| Restatement - Capital Assets | 11,545 |
| Beginning Balance Restated | 86,356 |
| Net Assets - Ending | <u>\$ 107,404</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2011**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | | <u>Net (Expense)</u> |
|--------------------------------------|-----------------|------------------------|----------------------|-----------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital Grants</u> | |
| | | <u>Services</u> | <u>Grants and</u> | <u>and</u> | <u>Governmental</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | <u>Activities</u> |
| Governmental Activities: | | | | | |
| Public Health | \$ 139,321 | \$ - | \$ - | \$ - | \$ (139,321) |
| Total governmental activities | 139,321 | - | - | - | (139,321) |
| General Revenues: | | | | | |
| Reversions to the State General Fund | | | | | - |
| General Fd. Appropriation | | | | | 145,700 |
| Miscellaneous Revenue | | | | | 26,735 |
| Total General Revenues | | | | | 172,435 |
| Change in Net Assets | | | | | 33,114 |
| Net Assets - beginning | | | | | 107,404 |
| Net Assets - ending | | | | | \$ 140,518 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2012**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | | <u>Net (Expense)</u> |
|--------------------------------------|-----------------|-----------------------------|---|---|--------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| Public Health | \$ 4,544 | \$ - | \$ - | \$ - | \$ (4,544) |
| Total governmental activities | <u>4,544</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,544)</u> |
| General Revenues: | | | | | |
| Reversions to the State General Fund | | | | | - |
| General Fd. Appropriation | | | | | 4,700 |
| Miscellaneous Revenue | | | | | 4 |
| Total General Revenues | | | | | <u>4,704</u> |
| Change in Net Assets | | | | | 160 |
| Net Assets - beginning | | | | | <u>140,518</u> |
| Net Assets - ending | | | | | <u>\$ 140,678</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

| | <u>General Operating Fund</u> |
|--|-----------------------------------|
| ASSETS | |
| State General Fund Investment Pool | 233,702 |
| Prepaid Expenses | 86,536 |
| Total Assets | \$ 320,238 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Voucher Payable | \$ 2,004 |
| Payroll Benefits & Taxes Payable | 7,130 |
| Accrued Wages Payable | 23,038 |
| Due to Other Funds | - |
| Due to State General Fund | 179,728 |
| Other Liabilities | 7 |
| Due to Other State Agencies | - |
| Total Liabilities | 211,907 |
| Fund Balances: | |
| Nonspendable | 86,536 |
| Unassigned | 21,795 |
| Total Fund Balances | 108,331 |
| Total Liabilities and Fund Balances | \$ 320,238 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010**

| | | |
|---|-----------|-----------------|
| Total fund balance, governmental funds | \$ | 108,331 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital Assets, Net of Depreciation | | 18,104 |
| | | <u>18,104</u> |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds: | | |
| Compensated Absences | | <u>(19,030)</u> |
| Net Assets of Governmental Activities in the Statement of Net Assets | <u>\$</u> | <u>107,404</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

| | <u>General</u> <u>Operating Fund -</u> |
|--|---|
| ASSETS | |
| State General Fund Investment Pool | 69,387 |
| Prepaid Expenses | 86,536 |
| Total Assets | \$ 155,923 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Voucher Payable | \$ - |
| Payroll Benefits & Taxes Payable | 272 |
| Accrued Wages Payable | 27,673 |
| Due to Other Funds | - |
| Due to State General Fund | 421 |
| Other Liabilities | 7 |
| Due to Other State Agencies | - |
| Total Liabilities | 28,373 |
| Fund Balances: | |
| Nonspendable | 86,536 |
| Unassigned | 41,014 |
| Total Fund Balances | 127,550 |
| Total Liabilities and Fund Balances | \$ 155,923 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011**

| | | |
|---|---------------|----------------|
| Total fund balance, governmental funds | \$ | 127,550 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Governmental Capital Assets | | |
| Capital Assets, Net of Depreciation | <u>13,531</u> | 13,531 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds: | | |
| Compensated Absences | | (562) |
| Net Assets of Governmental Activities in the Statement of Net Assets | <u>\$</u> | <u>140,518</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

| | <u>General</u> |
|--|-------------------------|
| | <u>Operating Fund -</u> |
| ASSETS | |
| State General Fund Investment Pool | 73,794 |
| Prepaid Expenses | 86,536 |
| Total Assets | <u>\$ 160,330</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Voucher Payable | \$ - |
| Payroll Benefits & Taxes Payable | (24) |
| Accrued Wages Payable | 27,673 |
| Due to Other Funds | - |
| Due to State General Fund | 420 |
| Other Liabilities | 7 |
| Due to Other State Agencies | - |
| Total Liabilities | <u>28,076</u> |
| Fund Balances: | |
| Nonspendable | 86,536 |
| Unassigned | 45,718 |
| Total Fund Balances | <u>132,254</u> |
| Total Liabilities and Fund Balances | <u>\$ 160,330</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012**

| | | |
|---|--------------|----------------|
| Total fund balance, governmental funds | \$ | 132,254 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Governmental Capital Assets | | |
| Capital Assets, Net of Depreciation | <u>8,958</u> | 8,958 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds: | | |
| Compensated Absences | | (532) |
| Net Assets of Governmental Activities in the Statement of Net Assets | <u>\$</u> | <u>140,679</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ending June 30, 2010**

| | <u>General Operating Fund</u> |
|---|-----------------------------------|
| REVENUES | |
| Miscellaneous | 2,402 |
| Federal Revenue | - |
| Other Fees | 1,100 |
| Total Revenues | 3,502 |
| EXPENDITURES | |
| Current: | |
| Personnel Services & Employee Benefits | 485,082 |
| Contractual Services | 9,012 |
| Other | 108,976 |
| Total Expenditures | 603,070 |
| Excess (Deficiency) of Revenues Over Expenditures | (599,568) |
| OTHER FINANCING SOURCES (USES) | |
| Operating Transfers In | 806,166 |
| Reversions to State General Fund | - |
| Operating Transfers Out | (179,337) |
| Total Other Financing Sources and Uses | 626,829 |
| | |
| SPECIAL ITEM | |
| Transfer of Operations | - |
| Net Change in Fund Balances | 27,261 |
| | |
| Fund Balances - beginning | 81,070 |
| Fund Balances - ending | \$ 108,331 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2010**

| | | |
|--|----|-----------------------------|
| Net change in fund balances - total governmental funds: | \$ | 27,261 |
| Special Item Transfer of Operations | | <u> </u> |
| Net change in fund balance, less special item - total governmental funds | | 27,261 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Capital Outlay | | |
| Depreciation Expense | | |
| Change in capital assets | | (5,780) |
| Change in Net Assets of Governmental Activities Prior to Special Item-Transfer of Operations | \$ | <u>21,481</u> |
| Government-wide Special Items: | | |
| Capital Assets | | |
| Compensated Absences | | (433) |
| Transfer of Fund Balance from Fund Financial Statements | | <u> </u> |
| | | (433) |
| Change in Net Assets | \$ | <u><u>21,048</u></u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ending June 30, 2011**

| | <u>General Operating Fund</u> |
|---|-----------------------------------|
| REVENUES | |
| Miscellaneous | 26,735 |
| Federal Revenue | - |
| Total Revenues | 26,735 |
| EXPENDITURES | |
| Current: | |
| Personnel Services & Employee Benefits | 137,537 |
| Other | 15,679 |
| Total Expenditures | 153,216 |
| Excess (Deficiency) of Revenues Over Expenditures | (126,481) |
| OTHER FINANCING SOURCES (USES) | |
| Operating Transfers In | 145,700 |
| Reversions to State General Fund | - |
| Operating Transfers Out | - |
| Total Other Financing Sources and Uses | 145,700 |
| | - |
| SPECIAL ITEM | |
| Transfer of Operations | - |
| Net Change in Fund Balances | 19,219 |
| Fund Balances - beginning | 108,331 |
| Fund Balances - ending | \$ 127,550 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2011**

| | | |
|--|---------|---------|
| Net change in fund balances - total governmental funds: | \$ | 19,219 |
| Special Item Transfer of Operations | | 19,219 |
| Net change in fund balance, less special item - total governmental funds | | 19,219 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Capital Outlay | | |
| Depreciation Expense | (4,573) | |
| Change in capital assets | (4,573) | (4,573) |
| Change in Net Assets of Governmental Activities Prior to Special Item-Transfer of Operations | \$ | 14,646 |
| Government-wide Special Items: | | |
| Capital Assets | | |
| Compensated Absences | 18,468 | |
| Transfer of Fund Balance from Fund Financial Statements | 18,468 | 18,468 |
| Change in Net Assets | \$ | 33,114 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ending June 30, 2012**

| | <u>General Operating Fund</u> |
|---|-----------------------------------|
| REVENUES | |
| Miscellaneous | 4 |
| Federal Revenue | - |
| Total Revenues | 4 |
| EXPENDITURES | |
| Current: | |
| Personnel Services & Employee Benefits | - |
| Other | - |
| Total Expenditures | - |
| Excess (Deficiency) of Revenues Over Expenditures | 4 |
| OTHER FINANCING SOURCES (USES) | |
| Operating Transfers In | 4,700 |
| Reversions to State General Fund | - |
| Operating Transfers Out | - |
| Total Other Financing Sources and Uses | 4,700 |
| SPECIAL ITEM | |
| Transfer of Operations | - |
| Net Change in Fund Balances | 4,704 |
| Fund Balances - beginning | 127,550 |
| Fund Balances - ending | \$ 132,254 |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2012**

| | | |
|--|-----------------------------|-----------------------------|
| Net change in fund balances - total governmental funds: | \$ | 4,704 |
| Special Item Transfer of Operations | | <u> </u> |
| Net change in fund balance, less special item - total governmental funds | | 4,704 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Capital Outlay | | |
| Depreciation Expense | <u>(4,575)</u> | |
| Change in capital assets | | <u>(4,575)</u> |
| Change in Net Assets of Governmental Activities Prior to Special Item-Transfer of Operations | \$ | <u>129</u> |
| Government-wide Special Items: | | |
| Capital Assets | | |
| Compensated Absences | 32 | |
| Transfer of Fund Balance from Fund Financial Statements | <u> </u> | <u>32</u> |
| Change in Net Assets | \$ | <u><u>160</u></u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL OPERATING FUND
For the Year Ending June 30, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|---|-------------------------|---------------------|------------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary Basis</u> | <u>Final Budget -</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ 2,866 | \$ 2,866 |
| Federal Revenue | - | - | - | - |
| Other Fees | - | - | 1,100 | 1,100 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>3,967</u> | <u>3,967</u> |
| EXPENDITURES | | | | |
| Personnel Services & Employee Benefits | 653,700 | 653,700 | 485,082 | 168,618 |
| Contractual Services | 9,600 | 9,600 | 9,012 | 589 |
| Other | 147,400 | 147,400 | 108,976 | 38,424 |
| Total Expenditures | <u>810,700</u> | <u>810,700</u> | <u>603,070</u> | <u>207,631</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(810,700)</u> | <u>(810,700)</u> | <u>(599,103)</u> | <u>211,597</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| State General Fund Appropriation | - | - | 805,700 | (805,700) |
| Reversions | - | - | (179,337) | 179,337 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>626,364</u> | <u>(626,364)</u> |
| SPECIAL ITEM | | | | |
| Transfer of Operations | - | - | - | - |
| Net Change in Fund Balances | (810,700) | (810,700) | 27,261 | (837,961) |
| Fund Balances - beginning | - | - | 81,070 | (81,070) |
| Fund Balances - ending | <u>\$ (810,700)</u> | <u>\$ (810,700)</u> | <u>\$ 108,331</u> | <u>\$ (919,031)</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL OPERATING FUND
For the Year Ending June 30, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|---|-------------------------|---------------------|------------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary Basis</u> | <u>Final Budget -</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ 26,735 | \$ 26,735 |
| Federal Revenue | - | - | - | - |
| Other Fees | - | - | - | - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>26,735</u> | <u>26,735</u> |
| EXPENDITURES | | | | |
| Personnel Services & Employee Benefits | 145,700 | 146,600 | 137,537 | 9,064 |
| Contractual Services | - | 7,000 | - | 7,000 |
| Other | 5,000 | 22,100 | 15,680 | 6,420 |
| Total Expenditures | <u>150,700</u> | <u>175,700</u> | <u>153,217</u> | <u>22,484</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(150,700)</u> | <u>(175,700)</u> | <u>(126,482)</u> | <u>49,219</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| State General Fund Appropriation | - | - | 145,700 | (145,700) |
| Reversions | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>145,700</u> | <u>(145,700)</u> |
| SPECIAL ITEM | | | | |
| Transfer of Operations | - | - | - | - |
| Net Change in Fund Balances | (150,700) | (175,700) | 19,219 | (194,919) |
| Fund Balances - beginning | - | - | 108,331 | (108,331) |
| Fund Balances - ending | <u>\$ (150,700)</u> | <u>\$ (175,700)</u> | <u>\$ 127,550</u> | <u>\$ (303,250)</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL OPERATING FUND
For the Year Ending June 30, 2012**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|---|-------------------------|-------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary Basis</u> | <u>Final Budget - Positive (Negative)</u> |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ 4 | \$ 4 |
| Federal Revenue | - | - | - | - |
| Other Fees | - | - | - | - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>4</u> | <u>4</u> |
| EXPENDITURES | | | | |
| Personnel Services & Employee Benefits | 8,100 | 8,100 | - | 8,100 |
| Contractual Services | - | - | - | - |
| Other | - | - | - | - |
| Total Expenditures | <u>8,100</u> | <u>8,100</u> | <u>-</u> | <u>8,100</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(8,100)</u> | <u>(8,100)</u> | <u>4</u> | <u>8,104</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| State General Fund Appropriation | - | - | - | - |
| Reversions | - | - | - | - |
| Transfers In | - | - | 4,700 | (4,700) |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>4,700</u> | <u>(4,700)</u> |
| SPECIAL ITEM | | | | |
| Transfer of Operations | - | - | - | - |
| Net Change in Fund Balances | (8,100) | (8,100) | 4,704 | (12,804) |
| Fund Balances - beginning | - | - | 127,550 | (127,550) |
| Fund Balances - ending | <u>\$ (8,100)</u> | <u>\$ (8,100)</u> | <u>\$ 132,254</u> | <u>\$ (140,354)</u> |

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

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 1: HISTORY AND ORGANIZATION

The Health Policy Commission (Commission) was created by Laws of 1991, Chapter 72 (Section 9-7-11.2, NMSA 1978) and is administratively attached to the Department of Finance and Administration. The Commission facilitates the analysis and planning required to realize New Mexico's health policy of assuring that basic health services are available, accessible and culturally appropriate to all New Mexicans regardless of financial status. The Commission also administers the NM Health Information Systems Act, (24-14A-1 to 24-14A-10, NMSA 1978) for the collection and analysis and dissemination of information pertaining to factors affecting health for use in planning, policy making and making information available to consumers.

The Laws of 2012, Chapter 15, which amended the NM Health Information Systems Act, (24-14A-1 to 24-14a-10, NMSA 1978) dissolved the Commission and legally transferred all appropriations, money, records, equipment, supplies and other property directly related to the collection, analysis and dissemination of health information data from the New Mexico Health Policy Commission to the Department of Health. All contracts directly related to the collection, analysis and dissemination of health information data pursuant to the Health Information System Act were binding and effective on the Department of Health as of July 1, 2012.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the New Mexico Health Policy Commission (Commission) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

As required, the Commission implemented the provisions of GASB No. 34 effective July 1, 2001 and also, as required, implemented GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

A. FINANCIAL REPORTING ENTITY

The Health Policy Commission is legally separate and fiscally independent of other state agencies. Although the Director is hired by and serves at the pleasure of the Commission, that person has decision-making authority, the power to manage the activities of the Commission, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Commission is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. The Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In accordance with the criteria set forth in GASB # 39 and # 61 for determining component units, the Commission does not have component units.

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. The reporting model focus is on either the Commission as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The Commission is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis using the economic resources measurement focus and the accrual basis of accounting and incorporates long-term assets and receivables as well as long-term debt and obligations. Additionally internal activity has been eliminated at this level of presentation.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function which consists of grants and fees.

The net cost is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The Commission does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the Commission 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 funds of the governmental categories. Non-major funds (by category) or fund type are summarized into a single column. The Commission's major fund is the General Fund.

The governmental fund statements are presented on the current financial resources measurement focus 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 Commission's 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 governmental-wide presentation.

C. BASIS OF PRESENTATION – FUND ACCOUNTING

The financial transactions of the Commission are recorded in individual 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, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The Commission uses the following fund types:

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Governmental Fund Types

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 sheet. 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 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. The following is a description of the Governmental Funds of the Commission:

The **General Fund** is the general operating fund of the Commission and considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. This is a reverting fund, with the exception of amounts received from federal grants and other proceeds that are legally restricted.

Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups for fixed assets and long-term debt but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual

Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

All governmental funds utilize the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund 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 current fiscal period; “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers funds available if received within “60 days” after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred and all other eligibility requirements are met. Contributions and other monies

STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. Revenues collected for future periods are deferred until available. All other revenues are recognized when they are received and are not susceptible to accrual.

Program revenues consist of federal grants.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are accrued as current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principle described by the various funding sources.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement #33, *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. BUDGETS AND BUDGETARY ACCOUNTING

The New Mexico State Legislature makes annual appropriations to the Commission, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations specified in the General Appropriation Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

The budget is adopted on a 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 (Section 6-10-4 NMSA 1978) that must be paid out of next year’s budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline.

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

The budgetary basis differs from the basis of accounting required by Generally Accepted Accounting Principles (GAAP). Significant differences between the budgetary basis and GAAP include the following:
The budget does not consider reversions to the State General Fund.

The budget includes encumbrances (obligations for unperformed contracts for goods or services). GAAP does not include encumbrances, for multi-year appropriations only.

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

The budget statements are presented on modified accrual basis.

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

No later than September 1, the Commission submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.

The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.

Not later than May 1, the Commission submits to DFA an annual operating budget by appropriation unit and account code based upon the appropriation made by the Legislature. The Budget Division of DFA reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the Director of the DFA-State Budget Division and LFC.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

F. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. All current year encumbrances lapsed at year-end. In cases where the appropriations do not lapse at year-end, the encumbrances outstanding are re-encumbered for the same amount outstanding at year-end and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The Commission does have any appropriations that are multiple year and do not lapse at year-end.

G. ASSETS, LIABILITIES AND FUND BALANCE

Cash and Cash Equivalents

The Commission's interest in the pooled cash on deposit with the State Treasurer's Office (STO) is considered cash and cash equivalents.

Inter-fund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from Other Funds".

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Prepaid Items

These amounts represent prepayment of postage, which has benefit to the Commission beyond the fiscal year end. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used. A portion reported in nonspendable fund balance represents a prepaid item.

Capital Assets

Property, plant and equipment purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value.

Machinery and Equipment – 5 to 10 years
Other Personal Property – 12 years
Computer Equipment (including software) – 3 to 10 years
Furniture, Fixtures, and Accessories – 6 to 20 years
Automotive – 8 years

These assets and the related depreciation expense are not included in the accompanying financial statements. GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Commission does not own any infrastructure assets.

Compensated Absences

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of thirty working days (240 hours) of accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of 240 hours.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600 hours up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). At retirement, employees can receive 50% payment up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the sick leave which has been accrued represents the hours earned at June 30, 2010, June 30, 2011, and June 30, 2012, over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences.

Compensatory time may be granted to individuals when overtime is needed.

STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

The non-current portion (the amount estimated to be used in subsequent fiscal years) for Governmental Funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

H. NET ASSETS

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as investment in capital assets, restricted and unrestricted.

Investments in Capital Assets – is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt.

Restricted Net Assets are liquid assets (generated from revenues and not bond proceeds), which have third-party constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation limiting their use. Restricted Net Assets includes prepaid items.

Unrestricted Net Assets (Deficit) – represent all other unrestricted liquid assets that do not meet the definition of “restricted net position” or “net invested in capital assets”.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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: CASH AND INVESTMENTS

State law (Section 8-6-3 NMSA 1978) requires the Commission’s cash be managed by the New Mexico State Treasurer’s Office (STO). At following year-ends the Commission had the following invested in the State General Fund Investment Pool:

| | |
|---|-----------|
| <i>FY 2010</i> | |
| State General Fund Investment Pool (SGFIP): | \$233,702 |
| <i>FY 2011</i> | |
| State General Fund Investment Pool (SGFIP): | \$69,387 |
| <i>FY 2012</i> | |
| State General Fund Investment Pool (SGFIP): | \$73,795 |

All funds are on deposit with the State Treasurer in the State General Fund Investment Pool (SGFIP). In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer’s Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The

STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012

NOTE 3: CASH AND INVESTMENTS (cont.)

State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer, with the advice and consent of the state board of finance, can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee **contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits**, but in all cases, settlement shall be on the a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars.
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated “prime” quality by a national rating service, issued by corporations organized and operating within the U.S.;
 - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
 - (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service.
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or

STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012

NOTE 3: CASH AND INVESTMENTS (cont.)

- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and investments made by the state treasurer pursuant to this paragraph are less than 5% of assets of the individual, common or collective trust fund.

Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a **contemporaneous transfer of the securities** at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional disclosure information regarding the investment in the State Treasurer's GFIP, the reader should see the separate audit reports for the State Treasurer's Office for the fiscal years ended June 30, 2010, 2011, and 2012; review the State Treasurer's Investment Policy at <http://www.stonm.org/ReportsandPolicies/Policies>; and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds, Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

NOTE 4: DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds represent inter-fund receivables and payables arising from inter-department transfers primarily due to statutory requirements for transferring funds collected by one fund and expended by another. These are routine transactions that occur monthly or annually. These amounts are eliminated on the government-wide financial statements. Agency funds are excluded from governmental funds and governmental-wide financial statements. All inter-fund balances are expected to be repaid in the next fiscal year.

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 5: CAPITAL ASSETS

A summary of changes in capital assets for FY 2010 is as follows:

| | Balance July 1, 2009 (restated) | Additions | Deletions | Balance June 30, 2010 |
|---------------------------|--|-------------------|------------------|----------------------------------|
| Machinery and equipment | \$ 10,130 | | | \$ 10,130 |
| Accumulated depreciation | (4,692) | (1,106) | | (5,798) |
| Data processing equipment | 23,368 | | | 23,368 |
| Accumulated depreciation | (4,922) | (4,674) | | (9,596) |
| Totals | \$ 23,884 | \$ (5,780) | \$ - | \$ 18,104 |

There is no debt related to capital assets. Depreciation expense for the year was \$5,780.

A summary of changes in capital assets for FY 2011 is as follows:

| | Balance July 1, 2010 | Additions | Deletions | Balance June 30, 2011 |
|---------------------------|---------------------------------|-------------------|------------------|----------------------------------|
| Machinery and equipment | \$ 10,130 | | | \$ 10,130 |
| Accumulated depreciation | (5,798) | (1,106) | | (6,904) |
| Data processing equipment | 23,368 | | | 23,368 |
| Accumulated depreciation | (9,596) | (3,467) | | (13,063) |
| Totals | \$ 18,104 | \$ (4,573) | \$ - | \$ 13,531 |

There is no debt related to capital assets. Depreciation expense for the year was \$4,573.

A summary of changes in capital assets for FY 2012 is as follows:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---------------------------|---------------------------------|-------------------|------------------|----------------------------------|
| Machinery and equipment | \$ 10,130 | | | \$ 10,130 |
| Accumulated depreciation | (6,904) | (1,106) | | (8,010) |
| Data processing equipment | 23,368 | | | 23,368 |
| Accumulated depreciation | (13,063) | (3,467) | | (16,530) |
| Totals | \$ 13,531 | \$ (4,573) | \$ - | \$ 8,958 |

There is no debt related to capital assets. Depreciation expense for the year was \$4,573.

All Capital Assets listed above are being depreciated. The Commission does not have any Capital Assets that are not being depreciated, such as land.

**STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 6: CHANGES IN SHORT-TERM LIABILITIES

The changes in short-term liabilities for government type activities are as follows:

A summary of changes for fiscal year 2010 in compensated absences payable is as follows:

| | Balance July 1, 2009 | Additions | Reductions | Balance June 30, 2010 | Amount Due Within One Year |
|------------------------------|-------------------------|-----------|------------|--------------------------|----------------------------------|
| Compensated Absences Payable | 18,597 | 433 | - | 19,030 | 19,030 |

The Commission's general fund is used to pay compensated absences. The long-term portion of compensated absences payable is \$-0-

A summary of changes for fiscal year 2011 in compensated absences payable is as follows:

| | Balance July 1, 2010 | Additions | Reductions | Balance June 30, 2011 | Amount Due Within One Year |
|------------------------------|-------------------------|-----------|------------|--------------------------|----------------------------------|
| Compensated Absences Payable | 19,030 | - | 18,468 | 562 | 562 |

The Commission's general fund is used to pay compensated absences. The long-term portion of compensated absences payable is \$-0-

A summary of changes for fiscal year 2012 in compensated absences payable is as follows:

| | Balance July 1, 2011 | Additions | Reductions | Balance June 30, 2012 | Amount Due Within One Year |
|------------------------------|-------------------------|-----------|------------|--------------------------|----------------------------------|
| Compensated Absences Payable | 562 | - | 31 | 531 | 531 |

The Commission's general fund is used to pay compensated absences. The long-term portion of compensated absences payable is \$-0-

**STATE OF NEW MEXICO
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NOTE 7: REVERSIONS

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund.

Current year reversions Due to the State General Fund:

Reversion Amounts

| General Fund | FY 10 | FY 11 | FY 12 |
|--|---------|-------|-------|
| Current Year: | | | |
| Reversions | 179,337 | - | - |
| | | | - |
| Total Reversions Due to the State General Fund | 179,337 | - | - |

NOTE 8: OPERATING LEASE COMMITMENTS

The Commission is obligated for the lease of mailing equipment, which is being accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations; therefore, this lease agreement includes a cancellation clause and is contingent upon legislative appropriation.

NOTE 9: RETIREMENT PLANS (STATE PERA)

Plan Description. Substantially all of the State of New Mexico, Health Policy Commission’s full time employees participate in a public employee retirement system authorized under the Public Employees’ Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees’ Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan.

The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The State of New Mexico, Health Policy Commission is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Health Policy Commission are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission’s contributions to PERA for the fiscal years ended June 30, 2010, 2011, and 2012, were \$49,161, \$14,393 and \$86.

STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
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June 30, 2010, June 30, 2011 and June 30, 2012

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

Plan Description. The Health Policy Commission 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 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.

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 years ended June 30, 2010, June 30, 2011, and June 30, 2012, the statutes 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 years ended June 30, 2010, June 30, 2011, and June 30, 2012, 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, 2013, the legislature shall review and adjust the

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June 30, 2010, June 30, 2011 and June 30, 2012**

NOTE 10: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE (cont.)

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 Health Policy Commission's contributions to the RHCA for the years ended June 30, 2010, 2011, and 2012, were \$4,214 and \$1568, and \$9, which equal the required contributions for each year.

NOTE 11: GENERAL FUND INVESTMENT POOL NOT RECONCILED

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 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 Department 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 claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

NOTE 12: RISK MANAGEMENT AND LITIGATION

The Commission is exposed to various risks of losses related to torts; theft of, and damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Commission, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been created which allow RMD to insure, self-insure or use a combination of both. Any claims are processed through RMD.

STATE OF NEW MEXICO
HEALTH POLICY COMMISSION
Notes to Financial Statements
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NOTE 13: FUND BALANCE

The Commission's fund balances represent: (1) *Non-Spendable Fund Balance*, which includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; (2) *Unassigned Fund Balance*, which includes a portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amount in any of the unrestricted fund balance classification could be used.

NOTE 14: RESTATEMENT

A prior period adjustment has been made to correct the beginning net assets as of July 1, 2010. This adjustment correct the current year's opening balances in net assets for capital assets that were not capitalized in the previous year for \$11,545. This adjustment affects the beginning net assets on the Statement of Activities.

NOTE 15: SUBSEQUENT EVENTS

The Laws of 2012 dissolved the Commission and legally transferred all appropriations, money, records, equipment, supplies and other property directly related to the collection, analysis and dissemination of health information data pursuant from the New Mexico Health Policy Commission to the Department of Health; and all contracts directly related to the collection, analysis and dissemination of health information data pursuant to the Health Information System Act were binding and effective on the Department of Health as of July 1, 2012. In addition, all remaining balances presented in the financial statements at June 30, 2012 will be transferred out of the Commission and reverted to State General Fund.



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

**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***

Ron Spilman, Controller
New Mexico Department of Finance and Administration
Santa Fe, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of the New Mexico Health Policy Commission (Commission), as of and for the years ended June 30, 2010, 2011, and 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents and have issued our report thereon dated June 13, 2016. We did not express an opinion on the financial statements because of inadequacy of accounting records. Except as discussed in the previous sentence, 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.

Due to the lack of adequate records we were unable to obtain sufficient evidential matter and we were not able to apply other auditing procedures to satisfy ourselves as to the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The scope of our work was not sufficient to enable us to express, and we do not express an opinion on the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2010, 2011, and 2012, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal

control over financial reporting as a basis for designing our auditing procedures 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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompany schedule of findings and responses as items 2010-005, 2010-006, and 2010-007 to be material weaknesses.

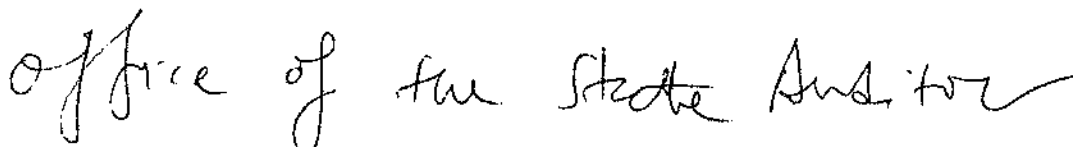
A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2010-001, 2010-002, and 2010-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2010-003, 2010-004, 2010-008, 2010-010, and 2010-011.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Office of the State Auditor". The signature is written in black ink and is positioned above the printed name and date.

New Mexico Office of the State Auditor
June 20, 2016

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010, JUNE 30, 2011, and JUNE 30, 2012**

Summary Schedule of Prior Audit Findings

2009-01 Over-expended Budget Appropriation UnitsResolved

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010, JUNE 30, 2011, and JUNE 30, 2012**

FINDING 2010-001 LACK OF PAYROLL DOCUMENTATION - (Significant Deficiency)

CONDITION

Test of controls over payroll transactions could not be performed for the selected sample as the Commission no longer exists and supporting documentation was not available to audit.

CRITERIA

Adequate supporting documentation should be maintained to support the amounts paid to employees, including pay rates and amounts of leave used in a pay period.

CAUSE

Lack of sufficient audit evidence due to dissolution of the Commission three years prior to the audit being performed.

EFFECT

Payroll and personnel files may or may not have been maintained in compliance with state and federal regulations or in accordance with the Commission's internal controls.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

MANAGEMENT'S RESPONSE

There is no disputing that adequate documentation and adherence to records retention requirements are critical principles of control, however a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution. This approach would provide the auditing entity with access to data before it has been moved and possibly misplaced and provide access to key personal before they transfer to another organizations or leave state employment. With an annual turnover rate approaching 20%, the state on average is turning staff over once every five years. One of the most difficult parts of this audit has been that there is not a single person in DFA or DOH had any direct knowledge of the entity being audited.

FINDING 2010-002 – LACK OF COMPLIANCE WITH THE PROCUREMENT CODE - (Significant Deficiency)

CONDITION

During the internal control testwork over the procurement process, we noted:

FY10

25 out of 25 samples items tested, totaling \$6,566, were lacking supporting documentation to provide

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010, JUNE 30, 2011, and JUNE 30, 2012**

evidence that the disbursements were made in accordance with the State procurement code.

25 out of 25 samples items tested, totaling \$6,566, were lacking documentation showing the proper approvals for the check request/purchase order.

1 out of 25 sample items tested, in the amount of \$51, lacked the proper supporting documentation to identify what was purchased.

1 out of 25 sample items tested, in the amount of \$458, lacked any supporting documentation to support the disbursement.

FY11

10 out of 10 samples items tested, totaling \$5,434, were lacking supporting documentation to provide evidence that the disbursements were made in accordance with the State procurement code.

10 out of 10 samples items tested, totaling \$5,434, were lacking documentation showing the proper approvals for the check request/purchase order.

1 out of 10 samples tested, totaling \$85, an invoice was not provided with the documentation.

CRITERIA

All costs should be completely supported before they are approved for payment; invoices should be processed only when they adequately detail all costs that support what is being charged in the invoice. Section 13-1-158 NMSA 1978 establishes: "No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code [13-1-28 NMSA 1978]."

CAUSE

The Commission failed to maintain supporting documentation to provide evidence that purchases were made in accordance with the State Procurement Code.

EFFECT

Failing to follow the State Procurement Code may lead to improper purchases and transactions using public monies. Failure to maintain appropriate supporting documentation may lead to the inability to defend purchasing decisions that were made by employees of the Commission and could ultimately lead to legal action against the Commission.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010, JUNE 30, 2011, and JUNE 30, 2012**

MANAGEMENT RESPONSE

There is no disputing that adequate documentation and adherence to records retention requirements are critical principles of control, however a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution. This approach would provide the auditing entity with access to data before it has been moved and possibly misplaced and provide access to key personal before they transfer to another organizations or leave state employment. With an annual turnover rate approaching 20%, the state on average is turning staff over once every five years. One of the most difficult parts of this audit has been that there is not a single person in DFA or DOH had any direct knowledge of the entity being audited.

FINDING 2010-003 UNTIMELY DEPOSITS – (Other Matters)

CONDITION

FISCAL YEAR 2010

For 1 out of 5 cash receipts tested, totaling \$122, it could not be determined if the Commission deposited the cash receipts within 24 hours of receipt.

FISCAL YEAR 2011

For 1 out of 1 cash receipts tested, totaling \$25,000 it could not be determined if the Commission deposited the cash receipts within 24 hours of receipt.

CRITERIA

Section 6-10-2 NMSA 1978, of the Public Money statute requires the maintenance of a record in which all cash receipts and disbursements of public money are entered daily, in detail. The cash record must be balanced daily so as to show the balance of public money on hand at the close of each day's business. According to Section 6-10-3 NMSA 1978, all public money in the custody of or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978 provided, shall be paid into the state treasury, before the close of the next succeeding business day after the receipt of the money. Also, it is good accounting practice to have accurate referenced documentation to ensure the funds are properly recorded and deposited.

CAUSE

The Commission did not have a system in place to effectively monitor the receipt of cash.

EFFECT

The failure to maintain a receipting system that properly logs cash receipts when received increases the risk of misappropriating receipts.

RECOMMENDATION

In order to prevent or reduce the risk of misappropriation of funds, a log should be consistently maintained for all the monies received by the Commission. Such a log will provide the information necessary to ensure that all monies received are deposited in a timely manner.

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010, JUNE 30, 2011, and JUNE 30, 2012**

MANAGEMENT RESPONSE

Management Agrees. The Financial Control Division of the Department of Finance and Administration, publishes and updates annually the Model Accounting Practices (MAPs) which agencies are required to follow. Financial Section Two, titled Cash Management Function, provides detail procedures, which if complied with, would have provided the information required to prove deposit timeliness. Within MAPs it specifically states that bank receipts should be kept on file until the independent annual audit report for that fiscal year has been issued.

FINDING 2010-004 - TRAVEL AND PER DIEM – (Other Matters)

CONDITION

During OSA's testwork on travel and per diem, we sampled 10 travel vouchers totaling \$1,486. The total paid during the three fiscal years selected for testing was \$2,936. OSA noted the following based on the travel vouchers selected:

1. In 2 of the 10 travel payments tested, totaling \$126, the vouchers were not provided as part of the supporting documentation,
2. In 2 of the 10, mileage reimbursements were underpaid by a total of \$3 due to the use of the incorrect mileage rate, and
3. In 3 of the 10, reimbursements totaling \$431 were for the attendance of Commission meetings in which minutes for the meetings could not be located.

CRITERIA

Adequate supporting documentation should be maintained to support the amounts being reimbursed. IRS Mileage Rates of \$0.505, \$0.55, \$0.50, and \$0.51 were the effective rate for January 1, 2008, 2009, 2010, and 2012 respectively. The rate allowed for New Mexico State Agencies of 80% of these rates for the Calendar years of 2009, 2010, 2011, and 2012 were \$0.404, \$0.44, \$0.40, and \$0.408 respectively, in accordance with Section 2.42.2.11(B)(1) NMAC, which sets the rate at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

CAUSE

Lack of sufficient audit evidence due to dissolution of the Commission three years prior to the audit being performed.

EFFECT

The Commission is not in compliance with the travel and per diem act.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010, JUNE 30, 2011, and JUNE 30, 2012**

MANAGEMENT RESPONSE

There is no disputing that adequate documentation and adherence to records retention requirements are critical principles of control, however a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution. This approach would provide the auditing entity with access to data before it has been moved and possibly misplaced and provide access to key personal before they transfer to another organizations or leave state employment. With an annual turnover rate approaching 20%, the state on average is turning staff over once every five years. One of the most difficult parts of this audit has been that there is not a single person in DFA or DOH had any direct knowledge of the entity being audited.

FINDING 2010-005 CASH RECONCILIATION - (Material Weakness)

CONDITION

During the fiscal year end June 30, 2010 – June 30, 2012 audit, OSA was unable to determine if the Commission had performed timely reconciliations for amounts held with the State Treasurer’s Office. In addition, we were unable to determine if the cash balance is fairly stated at the end of the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012.

CRITERIA

2.2.20.5.8 NMAC, *Responsibility for Accounting Function Chief Financial Officer and Assignment of Responsibilities*, requires that cash account records be reconciled timely each month to the Commission’s reports and to the State Treasurer’s Report.

CAUSE

The Commission was late submitting their annual audits for fiscal year 2010, 2011, and 2012 and on July 1, 2012 the entity was dissolved and its activities were transferred from the Commission to the Department of Health.

EFFECT

The Commission was not in compliance with the New Mexico Administrative Code for the fiscal years under audit. During that time there was increased risk that errors or fraud could go undetected.

RECOMMENDATION

OSA recommends that the Department of Health and the Department of Finance and Administration properly maintain records of entities that they jointly administer.

MANAGEMENT RESPONSE

While absence of audits of Commission activities for the fiscal years 2010, 2011, and 2012 may be a contributing factor, absence of a fully configured enterprise resource planning system (SHARE) and a well-developed business process prevent book to bank reconciliation at a statewide level.

**STATE OF NEW MEXICO HEALTH POLICY COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
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A diagnostic analysis of the cash reconciliation process conducted in 2012 identified a number of issues that prevented the completion of accurate cash reconciliations during the period commencing with SHARE implementation until completion of the Cash Remediation Project in February 2013. Until banking structure was modified, SHARE reconfigured and staff properly trained reconciliation of cash reconciliation was not feasible. An attempt to reconcile pre-February 2013 activities fail in part due improper configuration, absence of standard processes, netting of transactions and not requiring certain classes of transaction, example zero balance account transactions to be recorded.

FINDING 2010-006 PREPAID BALANCE - (Material Weakness)

CONDITION

We were unable to properly verify the prepaid balances at fiscal year end for 2010, 2011 and 2012 in the amount of \$86,536 for each fiscal year end. In addition, we were unable to determine if the prepaid postage was transferred to the Department of Health at 7/1/12.

CRITERIA

Per 2.2.2.10(E) NMAC, “The financial statements and notes to the financial statement shall be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Governmental accounting principles are identified in the Codification of Governmental Accounting and Financial Reporting Standards (GASB).”

CAUSE

The Commission dissolved on 7/1/12 and all the financial records were not maintained.

EFFECT

The Commission’s prepaid amounts may be materially misstated.

RECOMMENDATION

OSA recommends that the Department of Health and the Department of Finance and Administration properly maintain records of entities that they jointly administer.

MANAGEMENT RESPONSE

The origin of the prepaid balance was a July 2006 conversion balance loaded into SHARE. This entry was later reclassified from one prepaid account to another. Whether documentation existed for the balance forward entry is unknown, however this may be one instance where adequate documentation did not exist prior to entity dissolution.

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FINDING 2010-0007 CAPITAL ASSETS - (Material Weakness)

CONDITION

During OSA's testwork on Capital Assets, we noted the following:

- OSA was unable to determine if the Commission had performed and certified physical inventory at year end for each of the fiscal years audited.
- OSA was unable to determine if the listing of capital assets was complete and accurate.
- OSA was unable to determine if the Commission disposed of any assets during any of the fiscal years audited.
- At the end of fiscal year 2009, the Commission removed 6 items with a total original purchase price of \$17,883 from the capital asset listing due to the items being fully depreciated and having an original purchase value of less than \$5,000. OSA was not notified of the removal of these items from the capital asset listing.
- Additions to capital assets of \$11,546 were not recorded during the fiscal year 2010.
- Depreciation of assets was not calculated and recorded for fiscal years 2010, 2011, and 2012. Unrecorded depreciation amounted to \$5,780, \$4,573, and \$4,573 per year, respectively.
- Due to lack of adequate records, OSA was unable to determine whether the assets were appropriately transferred to NM Department of Health upon dissolution of the agency.
- Due to lack of adequate records, OSA was unable to determine whether the computers owned by the Commission, which were not included on the inventory of capital assets, were appropriately transferred to NM DOH upon dissolution of the agency, or if the computer hard drives were sanitized if the computers were disposed of upon dissolution of the Commission.
- OSA was unable to determine if any transfer of assets occurred during the fiscal years audited.
- OSA was unable to determine if the Commission received any donated assets during the fiscal years audited.
- OSA was unable to inquire whether the Commission had satisfactory title to capital assets.
- OSA was unable to verify that new additions to capital assets were tagged when placed in service for each of the fiscal years audited, and for two of the items purchased in fiscal year 2009.
- OSA was unable to determine if 4 of the assets included in the capital asset listing were tagged with an asset number. These assets had a total purchase price of \$22,866.

CRITERIA

Disposition of Capital Assets requirements in Sections 13-6-1 through 13-6-8 NMSA 1978, requirements for Disposition of Fixed Assets per Section 2.20.1.18 NMAC, Annual Inventory requirements per Section 2.20.1.16 NMAC, Fixed Asset Controls per Section 2.20.1.15 NMAC, Disposition of Data Processing Equipment per Section 2.2.2.10(V) NMAC (2010-2012).

CAUSE

Lack of adequate documentation maintained after the dissolution of the Commission.

EFFECT

OSA is unable to determine what occurred with the assets and computers of the Commission after the agency was dissolved by the State Legislature.

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RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

MANAGEMENT RESPONSE

We continue to believe a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution.

We have looked at capital purchases during the period and noted that in total they were just under \$25k and consisted primarily of IT software, servers and computers. At this juncture, software and hardware should have reached a point of obsolescence. If there was reason to believe this equipment was misappropriated we believe we could reconstruct the data to track down the assets.

FINDING 2010-008 COMPENSATED ABSENCES - (Other Matters)

CONDITION

OSA was unable to obtain sufficient audit evidence in the area of Accrued Compensated Absences to verify that accrued leave balances were resolved in accordance with State Law by either transferring the balances to another State Agency if the employee chose to seek employment with another State Agency, or if the remaining balances were paid out if the employee chose not to work for another State Agency.

The outstanding balances for Accrued Compensated Absences consisted of approximately \$19,030 for 13 employees in fiscal year 2010, approximately \$562 for 10 employees in fiscal year 2011, and approximately \$530 for 8 employees in fiscal year 2012.

The accrued compensated absences liability as provided did not include vacation hours in excess of 240 hours for two employees at the end of fiscal year 2011 as a liability; however, per the New Mexico Administrative Code, there are instances when the entire balance, including hours in excess of the 240 hours, is payable. The additional amounts which should have been accrued were for approximately 65 hours totaling \$1,335.

CRITERIA

Per Section 1.7.7.8 NMAC, the requirements for Annual Leave include:

A. Employees, except those on full-time educational leave with pay, absence without leave, leave without pay, unpaid FMLA leave, or suspension without pay shall accrue annual leave at the rate of:

- (1) 3.08 hours per pay period if less than three years of cumulative employment,
- (2) 3.69 hours per pay period if three years or more but less than seven years of cumulative employment,
- (3) 4.61 hours per pay period if seven years or more but less than eleven years of cumulative employment,
- (4) 5.54 hours per pay period if eleven years or more but less than fifteen years of cumulative employment;

or

- (5) 6.15 hours per pay period if fifteen years or more of cumulative employment.

B. For purposes of *Subsection A of 1.7.7.8. NMAC*, any employment in the classified or exempt service and

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judicial or legislative branches of New Mexico state government shall be counted in determining years of cumulative employment in the classified service.

C. For purposes of *Subsection A of 1.7.7.8. NMAC*, employment in programs transferred into the classified service by legislation or executive order shall count as cumulative employment.

D. Employees employed on a part-time basis and employees on furlough who work at least eight hours in a pay period shall accrue annual leave on a prorated basis.

E. A maximum of 240 hours of annual leave shall be carried forward after the last pay period beginning in December.

F. Annual leave shall not be used before it is accrued and must be authorized before it is taken in accordance with agency policy.

G. Employees separating from the classified service, except by a reduction in force, shall be paid for accrued annual leave, as of the date of separation, up to a maximum of 240 hours at their current hourly rate. Employees separating from the classified service as the result of a reduction in force shall be paid for all accrued annual leave, as of the date of separation, at their current hourly rate.

H. The estate of an employee who dies while in the classified service shall be paid for the employee's total accrued annual leave.

In addition, when the Commission discontinued operating independently, one employee was paid for 265 hours of leave which was in excess of the 240 hours for which an accrual would have been recorded.

CAUSE

Lack of sufficient audit evidence due to dissolution of the Commission three years prior to the audit being performed. Lack of oversight during the dissolution of the agency and transfer of assets and liabilities to Department of Health.

EFFECT

Balances accrued for Compensated Absences at year end for each fiscal year may not be accurately reported.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

MANAGEMENT RESPONSE

There is no disputing that adequate documentation and adherence to records retention requirements are critical principles of control, however a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution. This approach would provide the auditing entity with access to data before it has been moved and possibly misplaced and provide access to key personal before they transfer to another organizations or leave state employment. With an annual turnover rate approaching 20%, the state on average is turning staff over once every five years. One of the most difficult parts of this audit has been that there is not a single person in DFA or DOH had any direct knowledge of the entity being audited.

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FINDING 2010-009 – REVERSION - (Significant Deficiency)

CONDITION

As of June 30, 2010, 2011, and 2012 the Commission was not properly reviewing the agency’s General Fund Appropriations and the amounts that might be owed back to the State General Fund.

CRITERIA

The General Appropriations Act of 2010, Laws 2010, Chapter 6, Section 2 (General Provisions), states that any unencumbered balances in agency accounts remaining at the end of the fiscal year shall revert to the general fund by October 1. In addition, Section 6-5-10, NMSA 1978 requires “all unreserved, undesignated funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund”.

CAUSE

Lack of sufficient audit evidence due to dissolution of the Commission three years prior to the audit being performed.

EFFECT

The Commission was in violation of the general provisions of the 2010 Appropriation Act, of Section 6-5-10, NMSA 1978, and the State Audit Rule. Funds required to be reverted and returned to the State General Fund were not available to be appropriated by the Legislature for use in other areas of the State government.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

MANAGEMENT RESPONSE

There is no disputing that adequate documentation and adherence to records retention requirements are critical principles of control, however a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution. This approach would provide the auditing entity with access to data before it has been moved and possibly misplaced and provide access to key personal before they transfer to another organizations or leave state employment. With an annual turnover rate approaching 20%, the state on average is turning staff over once every five years. One of the most difficult parts of this audit has been that there is not a single person in DFA or DOH had any direct knowledge of the entity being audited.

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FINDING 2010-010 BUDGETARY COMPLIANCE - (Other Matters)

CONDITION

During OSA's testwork of Budgetary Compliance and internal controls, we noted the following:

- Based on Budget Status reports provided, it appears that the Commission never requested or entered a BAR for FY 2010 to reduce the budget in SHARE by the mandatory budget cuts for fiscal year 2010 that were required for all State Agencies.
- Copies of approved BARs were not available for fiscal year 2011, however, per the budget status report, the Commission had \$25,000 in budget adjustments for the year.

CRITERIA

Adequate documentation to support budget adjustments and their approval should be maintained.

CAUSE

Lack of adequate documentation maintained after the dissolution of the Commission.

EFFECT

For fiscal year 2010, the reduction of the budget was not entered, which would have allowed the Commission to over spend the final budget. For fiscal year 2011, the Commission had budget adjustments of \$25,000 for which approval and documentation is not available.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should properly maintain supporting documentation for the dissolved agency.

MANAGEMENT RESPONSE

There is no disputing that adequate documentation and adherence to records retention requirements are critical principles of control, however a more effective solution to address the condition experienced may be to require business units that are undergoing change in organization status to be audited prior to dissolution. This approach would provide the auditing entity with access to data before it has been moved and possibly misplaced and provide access to key personal before they transfer to another organizations or leave state employment. With an annual turnover rate approaching 20%, the state on average is turning staff over once every five years. One of the most difficult parts of this audit has been that there is not a single person in DFA or DOH had any direct knowledge of the entity being audited.

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**FINDING 2010-011 FAILURE TO FILE AUDIT REPORT BY THE REQUIRED DUE DATE-
(Other Matters)**

CONDITION

The audit report for the fiscal years ended June 30, 2010, June 30, 2011 and June 30, 2012, were due to the New Mexico State Auditor's Office by the required deadline.

CRITERIA

New Mexico State Statute Section 12-6-12 requires that the state auditor promulgate reasonable regulations necessary to carry out the duties of the office. In addition, Section 2.2.2.9 NMAC states the deadline for submission of the report was December 15, 2010 for FY10, December 15, 2011 for FY 11 and December 15, 2012 for FY12.

CAUSE

The audit was not completed timely after the agency was dissolved.

EFFECT

The Commission was not in compliance with State of New Mexico requirements and could potentially jeopardize state and federal funding.

RECOMMENDATION

In the future when agencies are dissolved and the remainder of their operations are transferred into another Department, the relevant Department and the Department of Finance and Administration should ensure the audit is completed timely to close out the agency.

MANAGEMENT RESPONSE

There is no disagreement as to need or benefit of timely audits, however we are unsure as to why the FY10 audit was not completed when initially due, as payroll records indicate that the CFO position was staffed through June 2011. This was clearly enough time to have finished the FY10 audit and that action alone would have addressed 80% of the expenditures recorded during the three year open audit period. We believe that requiring and enforcing timely audits to be conducted on entities undergoing organization status change prior to dissolution is the most efficient way to address this issue.

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EXIT CONFERENCE

An exit conference was held on June 13, 2016. The following were in attendance:

Representing the Department of Finance and Administration:

Ron Spilman, State Controller

Will Crespín, Chief Financial Accountant

Representing the Department of Health:

James Chadburn, Chief Financial Officer

Leonard Tapia, Division Director

Kim Keahbone, Deputy Director

Representing the State Auditor's Office:

Anna Williams, Financial Audit Director (via telephone)

Shannon Sanders, Audit Manager

Lisa Jennings, Audit Supervisor

Jessica Lucero, Audit Supervisor

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Commission have been prepared by the State Auditor's Office, the organization's independent public auditor; however, the financial statements are the responsibility of management.