

Timothy M. Keller
State Auditor



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State of New Mexico
OFFICE OF THE STATE AUDITOR

Via Email and U.S. Mail

January 4, 2017

M. Jay Mitchell
Secretary
Department of Homeland Security and Emergency Management
PO Box 27111
Santa Fe, New Mexico 87502

Secretary Mitchell:

The Office of the State Auditor (“OSA”) reviewed and released the Fiscal Year 2015 financial audit for the Department of Homeland Security and Emergency Management (“Department”). The audit was performed by the independent accounting firm Hinkle + Landers.

The audit contains 19 findings with respect to various problems, primarily concerning grant management and financial controls, and a Disclaimer of Opinion, which indicates that the auditor was not able to obtain sufficient appropriate audit evidence to render an opinion on the agency’s financial statements. Additionally, the report indicates little progress was made with respect to the expenditure of executive order appropriations for natural disasters and other emergencies. From a restated ending balance for FY 2014 of \$33.9 million, only about \$7 million was spent during the FY 2015 fiscal year. When combined with newly authorized emergency funds, this left the Department with over \$34 million in unspent funds at the end of the fiscal year from emergencies dating back to 2007.

We recognize that because the Department completed this audit one year late, these figures and the areas of concern highlighted in the report may or may not have been addressed as of today. We expect the FY 2016 audit to be completed as soon as possible to provide a more current perspective regarding any corrective actions that Department has taken and any progress that has been made in getting emergency assistance to communities in need in a timely manner. Until which point the agency will remain on OSA’s “At Risk” list.

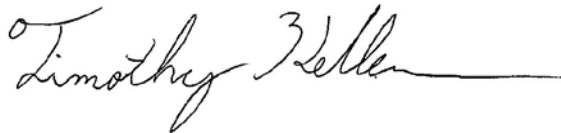
We also acknowledge your desire and efforts to correct these issues, and also the staff turnover and limitations the agency has faced. As the primary agency responsible for emergency management efforts, the Department handles millions of dollars of federal and state funds. Sound fiscal management and operations are critical to maintaining our state’s readiness and its capacity to prevent and respond to emergencies. Hence, we hope these issues will be addressed and verified in your next audit, and we reiterate sentiments expressed in our September 14, 2016 letter to Governor Martinez requesting the Department of Finance and Administration assist the

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Department with its financial affairs and grant management practices. With appropriate corrective actions, we hope to avoid additional actions by our office.

We appreciate the Department's attention to these matters. Please let us know if we can be of assistance as the Department works to strengthen its processes.

Sincerely,

A handwritten signature in cursive script that reads "Timothy M. Keller". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Timothy M. Keller
State Auditor



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND
SECURITY & EMERGENCY
MANAGEMENT**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For The Year Ended June 30, 2015

STATE OF NEW MEXICO
DEPARTMENT HOMELAND SECURITY & Emergency Management
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For The Year Ended June 30, 2015

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DEPARTMENT HOMELAND SECURITY & Emergency Management
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & Emergency Management
Official Roster
As Of June 30, 2015

Name	Title
M. Jay Mitchell	Cabinet Secretary
Nick Piatek	Deputy Cabinet Secretary
Vacant	Chief Financial Officer



INDEPENDENT AUDITOR’S REPORT

Jay Mitchell, Cabinet Secretary
State of New Mexico
Department of Homeland Security
and
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue funds of the New Mexico Department of Homeland Security (the Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Department’s basic financial statements as listed in the table of contents. We were also engaged to audit the budgetary comparisons for the major capital project fund presented as supplementary information, as defined by the *Governmental Accounting Standards Board*, as of and for the year ended June 30, 2015, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. Because of the matter described in the “Basis for Disclaimer of Opinions” paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as identified above under “Report on Financial Statements”.

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

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

We were not able to obtain sufficient and appropriate audit evidence to provide a basis for our audit opinions.

Basis for Disclaimer of Opinions of the Financial Statements

We were unable to obtain sufficient audit evidence to conclude that the financial statements, as a whole, are free from material misstatement. Key areas where audit evidence was deemed insufficient were related to accounts payable and sub-grantee payables and correspondence with federal and state agencies related to compliance and limited representations on the management representation letter. Please refer to finding 2015-011 for further details.

Disclaimer of Opinions

Because of the significance of the matter described in the "Basis for Disclaimer of Opinions on the Financial Statements" referred to above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the Department as of June 30, 2015,

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2015 financial statements have been restated to correct misstatements related to payables, deferred inflows and amounts due to the state general fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons. The schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules*, listed as "other supplemental information" in the table of contents, required by 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal awards and other schedules listed as "other supplemental information" in the table of contents, required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with the auditing standards generally accepted in the United States of America. We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenditures of federal awards and other schedules listed as "other supplemental information" in the table of contents, required by 2.2.2 NMAC "is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above under the paragraph "Basis for Disclaimer of Opinion the Financial Statements", it is inappropriate to and we do not express an opinion on the schedule of expenditures of federal awards and other schedules, listed as "other supplemental information" in the table of contents, required by 2.2.2 NMAC.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
November 14, 2016

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& Emergency Management
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

This discussion and analysis of the New Mexico Department of Homeland Security and Emergency Management provides an overview of financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the financial statements. This section will assist the reader in understanding the following:

- Highlight significant financial issues;
- Provide an overview of the Department's financial activity;
- Identify changes in the Department's financial position;
- Identify any material deviation from the approved budget; and
- Identify issues or concerns.

Department's Role for the State of New Mexico

On July 1, 2007, the Department of Homeland Security and Emergency Management (DHSEM) was created by NMSA, Section 9-28-1 through 9-28-7. Prior to July 1, 2007, the responsibilities attributed to this department were performed by the New Mexico Department of Public Safety.

These responsibilities include coordinating with state agencies, county and local municipalities, federal agencies and the private sector to prepare for, respond to, recover from and mitigate all emergencies and disasters. Natural disasters are the state's most common threat; however, New Mexico is also at risk for human-caused hazards such as increased gang and drug cartels, and increased illegal activity along our Mexican border. The state uses the Department of Homeland Security's (DHS) Risk Management Framework to enhance security of the state's critical infrastructure and key resources. In addition, the New Mexico All Source Intelligence Center (NMASIC), a bureau of DHSEM, collects, analyzes, and disseminates intelligence and information to key state and federal stakeholders. Maintaining these current procedures and meeting long term goals for equipment, training, exercise, personnel, and planning is critical to the Department's success.

Financial Highlights

- In fiscal year 2015, the Department received \$73,654,428 in revenue, the majority from federal operating grants.
- Change in net position for the year-ended June 30, 2015 was \$420,861.
- At the end of the current fiscal year, assets increased primarily due to increased grant receivables and liabilities increased primarily due to increases in the Department's Overdraft of its Investment in State Treasurer's General Fund Investment Pool.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Department of Homeland Security and Emergency Management and Emergency Management's (DHSEM) basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Financial data presented in these financial statements is for the activities of the DHSEM as a single agency. It does not purport to represent the State of New Mexico as a whole.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of DHSEM's finances, in a manner similar to a private-sector business.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& Emergency Management
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

The *Statement of Net Position* presents information on all of DHSEM's assets and liabilities and deferred inflows and outflows of resources, with the residual equity being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department of Homeland Security and Emergency Management is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Therefore, revenues and expenses are included in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation and uncollected accounts receivable).

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Department of Homeland Security and Emergency Management, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department are reported in governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Department of Homeland Security and Emergency Management maintains its fund structure in the Statewide Human Resources, Accounting and Management Reporting (SHARE) System. The Department maintains the General Fund (Fund No. 20050), four (4) special revenue funds – Special Appropriation (Fund No. 93100), Federal Direct Operating Grants (Fund No. 20052), Federal Flow-Through Operating Grants (Fund No. 20054), and Executive Orders State Disasters Fund (Fund No. 20380), and one (1) capital projects fund, Capital Projects Fund (Fund No. 89200).

Department of Homeland Security and Emergency Management adopts an annual appropriated budget for its General Fund and all other funds. A budgetary comparison statement has been provided for the General Fund and major special revenue funds that have legally adopted budgets and are presented as part of the basic financial statements to demonstrate compliance with this budget. All other budget comparisons that have legally adopted budgets are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

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Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-38 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Department of Homeland Security and Emergency Management, current assets (excluding capital assets) increased by \$14,255,988 or by 32%. This change primarily results from increased grants receivable. The Department's liabilities increased by \$12,629,327, in large part due to overdrafts from their investments in the State Treasurer's General Fund Investment Pool and an increase in accounts payable, though amounts due to the state general fund and to the federal government have decreased from the prior year. In addition, compensated absences increased by \$15,457. The governmental activities net position increased by \$1,294,721, which was primary attributable to prior period adjustments to amounts due to the state general fund (see Note 15).

The restricted portion (\$38,017,954) of Department of Homeland Security and Emergency Management's net position represents resources that are subject to external restrictions on how they may be used, such as special appropriations that can only be used towards a specific declared disaster relief efforts.

Department of Homeland Security and Emergency Management is able to report positive balances in two categories (Net investment in capital assets, and Restricted) of net position, for the government as a whole as of June 30, 2015.

	Governmental Activities	
	June 30, 2015	June 30, 2014
Current and other assets	\$ 58,358,585	44,102,587
Capital assets	3,601,963	3,933,913
Total assets	<u>61,960,548</u>	<u>48,036,500</u>
Current liabilities	20,518,022	7,842,828
Non-current liabilities	13,937	59,804
Total liabilities	<u>20,531,959</u>	<u>7,902,632</u>
Net Position:		
Net investment in capital assets	3,601,963	3,933,913
Restricted for:		
Other purposes	38,017,954	35,080,552
Unrestricted	(191,328)	1,119,403
Total net position	<u>41,428,589</u>	<u>40,133,868</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 61,960,548</u>	<u>48,036,500</u>

Changes in Net Position

The Department's total revenues of \$73,654,428 and total expenses of \$73,233,567 resulted in a change in net position of \$420,861. The Department had an increase in grant revenue and an increase in program expenses from the prior year.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & Emergency Management
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

The table shows the summarized revenues and expenditures for the years ended June 30, 2015 and June 30, 2014.

	<u>Governmental Activities</u>	
	Current Year	Prior Year
	June 30, 2015	June 30, 2014
Program revenues:		
Intergovernmental:		
Federal operating grants	\$ 61,478,076	\$ 24,238,540
Federal pass-through operating grants	128,426	-
Charges for services:		
Other filing fees	59,875	62,078
General revenues:		
State general fund appropriations	11,898,000	18,649,278
Miscellaneous revenue	<u>90,051</u>	<u>32,158</u>
 Total Revenues	 <u>73,654,428</u>	 <u>42,982,054</u>
 Program expenses:		
Public safety	70,773,601	28,813,421
Depreciation expense	591,394	627,594
General expenses:		
Reversions to state general fund	<u>1,868,572</u>	<u>1,104,256</u>
 Total Expenses	 <u>73,233,567</u>	 <u>30,545,271</u>
 Change in net position	 <u>420,861</u>	 <u>12,436,783</u>
 Net position - beginning	 40,133,868	 27,652,232
Net position - restatement	<u>873,860</u>	<u>44,853</u>
 Net position - as restated	 <u>41,007,728</u>	 <u>27,697,085</u>
 Net position - ending	 <u>\$ 41,428,589</u>	 <u>\$ 40,133,868</u>

Financial Analysis of the Government's Funds

As noted earlier, Department of Homeland Security and Emergency Management uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Department of Homeland Security and Emergency Management's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Department's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the current year, the Department had six governmental funds. The Department's General Fund is used to account for State General Fund appropriations. The Federal Direct Operating Grants Special Revenue Fund and the Federal Flow-Through Operating Grants Special Revenue Fund are used to account for federal grants. The Special Appropriation Special Revenue Fund is used to account for

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & Emergency Management
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

improvements to infrastructure damaged by severe flooding in several New Mexico counties, and the Executive Orders State Disasters Special Revenue Fund accounts for State General Fund appropriations designated for use in disaster assistance and rendering aid in emergency situations. Finally, the Capital Projects Fund accounts for the acquisition or construction of major capital facilities.

As of the end of the current fiscal year, Department of Homeland Security and Emergency Management's governmental funds reported combined ending fund balances of \$37,961,740, an increase of \$2,886,529 in comparison with the prior year. \$38,017,954, is *restricted* for specific purposes.

The combined ending fund balance is attributable to the Department's Special Appropriation Fund of \$3,255,013 and the Executive Orders State Disasters Fund of \$34,762,941. The General Fund of the Department reflects a deficit fund balance of (\$56,214) due to additional accounts payable recorded in FY15 for reporting purposes; however, the additional accounts payable is funded from the FY16 appropriations. The increase in fund balance in the Executive Orders State Disasters Funds are primarily attributed to increases in special appropriations resulting from executive orders from the Governor.

Budget Amendment Highlights

The annual operating budget is approved by the New Mexico Department of Finance and Administration (NMDFA). Over the course of the year, the Department's budget is subject to approval by the NMDFA. Budget increases of \$94,591,566 occurred in fiscal year 2015 mainly from federal grant revenues. Comparison of actual expenditures on a budgetary basis to approved budget amounts is presented in the basic financial statements section of the financial statements. Budgetary basis expenditures were within approved budgeted amounts. The difference in budget to actual expenditures for the total categories is \$39,855,886. There were no unexpected budget variances during the year.

	Final Budget	Actual (Budgetary) Basis	Favorable (Unfavorable) Variance
General Fund	\$ 2,523,000	\$ 2,351,483	\$ 171,517
Special Appropriation Fund	3,255,013	-	3,255,013
Federal Direct Operating Grants Fund	94,591,566	60,536,216	34,055,350
Federal Flow-Through Operating Grants Fund	157,100	128,854	28,246
Executive Orders State Disasters Fund	9,375,000	7,029,240	2,345,760
Capital Projects Fund	-	-	-
Total for Governmental Funds	<u>\$ 109,901,679</u>	<u>\$ 70,045,793</u>	<u>\$ 39,855,886</u>

Capital Asset and Debt Administration

Capital Assets

The investment in capital assets consists mainly of buildings, equipment, and automobiles. The Department does not own any infrastructure assets. The following net change occurred in the capital assets during the years ended June 30, 2015 and 2014.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& Emergency Management
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

	2015	2014
Net capital assets at beginning of year	\$ 3,933,913	\$ 4,424,310
Capital assets purchased	259,444	187,124
Current year depreciation	(591,394)	(627,594)
Restatement to capital assets	-	(49,927)
Net capital assets at end of year	\$ 3,601,963	\$ 3,933,913

Consistent with application of GASB No. 34, the Department has recognized depreciation for assets during the fiscal year of \$591,394. Additional information on Department of Homeland Security and Emergency Management’s capital assets can be found in NOTE 4 of the financial statements.

Long-term debt

At June 30, 2015, the Department had total long-term debt outstanding of \$13,937, consisting of the long-term portion of compensated absences payable upon termination. Employees can receive compensation for a maximum of 240 hours upon severance.

Economic Factor and Next Year’s Budgets

The Department’s fiscal year 2016 budget recommendation was submitted with an additional \$250,000 in appropriations for one new position in emergency management assistance, and planning of the Statewide Mass Notification System. The Department’s fiscal year 2017 budget recommendation was submitted with an additional \$600,000 in appropriations to support development efforts of the Statewide Mass Notification System and enhancements for radio communications statewide.

Request for Information

This financial report is designed to provide a general overview of Department of Homeland Security and Emergency Management’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cabinet Secretary, Department of Homeland Security and Emergency Management, 13 Bataan Blvd., Santa Fe, NM. 87502.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Statement of Net Position
As of June 30, 2015

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 39,068,799
Due from federal government	19,267,946
Due from other state agencies	18,260
Prepaid/Travel advances	3,580
Total current assets	58,358,585
Non-current assets:	
Capital assets, net of depreciation	3,601,963
Total assets	\$ 61,960,548
<u>LIABILITIES & NET ASSETS</u>	
Current liabilities:	
Investment in State Treasurer General Fund Investment Pool Overdraft	\$ 14,669,429
Accounts payable	5,143,175
Accrued salaries payable	33,523
Payroll taxes payable	36,385
Payroll benefits payable	32,291
Due to federal government	96,053
Compensated absences payable- current	121,177
Total current liabilities	20,518,022
Long-term liabilities:	
Compensated absences payable- long-term	13,937
Total liabilities	20,531,959
<u>NET POSITION</u>	
Net investment in capital assets	3,601,963
Restricted	
Capital projects	-
Other purposes	38,017,954
Total net position	41,428,589
Total liabilities, deferred inflows of resources, and net position	\$ 61,960,548

See independent auditor's report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Statement of Activities
For the Year Ended June 30, 2015

	Governmental Activities
Expenses:	
Public safety	\$ 70,773,601
Depreciation expense	591,394
Total program expenses	71,364,995
 Program revenues:	
Intergovernmental:	
Federal grants - operating	61,478,076
Federal pass-through operating grants	128,426
Charges for services:	
Other filing fees	59,875
Total program revenues	61,666,377
Net program (expense) revenue	(9,698,618)
 General revenues and (expenses):	
Transfer - State General Fund appropriations	11,898,000
Reversions to State General Fund	(1,868,572)
Miscellaneous revenue	90,051
Total general revenues and expenses	10,119,479
Change in net position	420,861
Beginning net position	40,133,868
Restatement	873,860
Beginning net assets, as restated	41,007,728
Ending net position	\$ 41,428,589

See independent auditor's report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Balance Sheet – Governmental Funds
As of June 30, 2015

	Major Funds		
	General Fund (20050) (20051) (20055)	Special Appropriation (93100)	Federal Direct Operating Grants (20052)
<u>ASSETS</u>			
Investment in State Treasurer General Fund Investment Pool	\$ 659,657	3,255,013	-
Due from other state agencies	-	-	-
Due from federal government	-	-	19,267,946
Prepaid/travel advances	-	-	3,580
Total assets	\$ 659,657	3,255,013	19,271,526
<u>LIABILITIES & FUND BALANCE</u>			
Liabilities:			
Investment in State Treasurer General Fund Investment Pool Overdraft	\$ -	-	14,654,414
Accounts payable	303,926	-	4,446,955
Accrued salaries payable	17,860	-	14,672
Payroll taxes payable	22,358	-	13,777
Payroll benefits payable	20,102	-	11,295
Due to State General Fund	351,240	-	-
Due to State General Fund - stale dated warrants	385	-	34,360
Due to federal government	-	-	96,053
Total liabilities	715,871	-	19,271,526
Fund balance:			
Nonspendable: travel advance	-	-	3,580
Restricted	-	3,255,013	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(56,214)	-	(3,580)
Total fund balance	(56,214)	3,255,013	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 659,657	3,255,013	19,271,526

See independent auditor's report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Balance Sheet – Governmental Funds, Continued
As of June 30, 2015

	<u>Major Funds</u>			
	<u>Federal Flow- Through Grants (20054)</u>	<u>Executive Orders State Disasters Fund (20380)</u>	<u>Capital Projects Fund (89200)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Investment in State Treasurer General Fund Investment Pool	\$ -	35,154,129	-	39,068,799
Due from other state agencies	18,260	-	-	18,260
Due from federal government	-	-	-	19,267,946
Prepaid/travel advances	-	-	-	3,580
Total assets	\$ 18,260	35,154,129	-	58,358,585
<u>LIABILITIES & FUND BALANCE</u>				
Liabilities:				
Investment in State Treasurer General Fund Investment Pool Overdraft	\$ 15,015	-	-	14,669,429
Accounts payable	1,106	391,188	-	5,143,175
Accrued salaries payable	991	-	-	33,523
Payroll taxes payable	250	-	-	36,385
Payroll benefits payable	894	-	-	32,291
Due to State General Fund	-	-	-	351,240
Due to State General Fund - stale dated warrants	4	-	-	34,749
Due to federal government	-	-	-	96,053
Total liabilities	18,260	391,188	-	20,396,845
Fund balance:				
Nonspendable: travel advance	-	-	-	3,580
Restricted	-	34,762,941	-	38,017,954
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	(59,794)
Total fund balance	-	34,762,941	-	37,961,740
Total liabilities, deferred inflows of resources, and fund balance	\$ 18,260	35,154,129	-	58,358,585

See independent auditor's report
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Reconciliation Of The Governmental Funds Balance Sheet to the
Statement of Net Position
For The Year Ended June 30, 2015

Total fund balance - Governmental funds	\$	37,961,740
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		3,601,963
Short-term liabilities, including compensated absences payables are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds balance sheet.		(121,177)
Long-term liabilities, including compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(13,937)
In order to convert to the full accrual basis of accounting, it is necessary to recognize deferred inflows.		-
Rounding		-
Net position of governmental activities	\$	<u>41,428,589</u>

See independent auditor's report
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Statement Of Revenues, Expenditures, And Changes In Fund Balance –
Governmental Funds
For The Year Ended June 30, 2015

	Major Funds		
	General Fund (20050, 20051, 20055)	Special Appropriation (93100)	Federal Direct Operating Grants (20052)
Revenues:			
Intergovernmental:			
Federal grants - operating	\$ -	-	61,478,076
Federal pass-thru grants - operating	-	-	-
Charges for services:			
Other filing fees	59,875	-	-
Miscellaneous revenue	80,051	-	-
Total revenues	139,926	-	61,478,076
Expenditures:			
Public Safety			
Current:			
Personal services	1,283,953	-	2,378,593
Contractual services	356,584	-	1,102,907
Other costs	341,247	-	2,549,982
Capital outlay	231,469	-	27,975
Total expenditures	2,213,253	-	6,059,457
Excess (deficiency) of revenue over expenditures	(2,073,327)	-	55,418,619
Other financing sources (uses)			
Transfer - State General Fund appropriations	2,523,000	-	-
Other financing uses - grants	(163,486)	-	(55,418,619)
Transfer - Reversions to State General Fund	(311,443)	-	-
Total other financing sources (uses):	2,048,071	-	(55,418,619)
Net change in fund balance	(25,256)	-	-
Beginning fund balance	1,079,812	-	-
Restatement	(1,110,770)	3,255,013	-
Beginning fund balance, as restated	(30,958)	3,255,013	-
Ending fund balance	\$ (56,214)	3,255,013	-

See independent auditor's report
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Statement Of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Funds, Continued
For The Year Ended June 30, 2015

	Major Funds			
	Federal Flow- Through Grants (20054)	Executive Orders State Disasters Fund (20380)	Capital Projects Fund (89200)	Total Governmental Funds
Revenues:				
Intergovernmental:				
Federal grants - operating	\$ -	-	-	61,478,076
Federal pass-thru grants - operating	128,426	-	-	128,426
Charges for services:				
Other filing fees	-	-	-	59,875
Miscellaneous revenue	-	-	10,000	90,051
Total revenues	128,426	-	10,000	61,756,428
Expenditures:				
Public Safety				
Current:				
Personal services	89,443	-	-	3,751,989
Contractual services	1,102	100,583	-	1,561,176
Other costs	37,881	183,665	-	3,112,775
Capital outlay	-	-	-	259,444
Total expenditures	128,426	284,248	-	8,685,384
Excess (deficiency) of revenue over expenditures	-	(284,248)	10,000	53,071,044
Other financing sources (uses)				
Transfer - State General Fund appropriations	-	9,375,000	-	11,898,000
Other financing uses - grants	-	(6,750,099)	-	(62,332,204)
Transfer - Reversions to State General Fund	-	(1,557,129)	-	(1,868,572)
Total other financing sources (uses):	-	1,067,772	-	(52,302,776)
Net change in fund balance	-	783,524	10,000	768,268
Beginning fund balance	-	34,005,399	(10,000)	35,075,211
Restatement	-	(25,982)	-	2,118,261
Beginning fund balance, as restated	-	33,979,417	(10,000)	37,193,472
Ending fund balance	\$ -	34,762,941	-	37,961,740

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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2015

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

Net change in fund balances (deficit) - total governmental funds	\$	768,268
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay expenditures (additions) which were capitalized	259,444	
Depreciation	(591,394)	
Net amount of capital outlay and depreciation expense		(331,950)

Some items reported in the Statement of Activities are not sources of uses of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

These activities consist of:

Change in compensated absences		(15,457)
Receivables collected after 60 days		-
Differences due to rounding		-
		-

Change in net position of governmental activities	\$	420,861
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget
(Budget Basis) and Actual
General Fund
For The Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Budget) Basis	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
\$				
Federal operating grants	-	-	-	-
Federal pass-through grants	-	-	-	-
Other filing fees	-	-	59,875	59,875
Miscellaneous revenue	-	-	80,051	80,051
<i>Total revenues</i>	-	-	139,926	139,926
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	1,671,100	1,391,100	1,283,953	107,147
Contractual services	78,600	358,600	356,584	2,016
Other costs	773,300	773,300	710,946	62,354
Capital outlay	-	-	-	-
<i>Total expenditures</i>	2,523,000	2,523,000	2,351,483	171,517
<i>Excess (deficiency) of revenues over expenditures</i>	(2,523,000)	(2,523,000)	(2,211,557)	311,443
<i>Other financing sources (uses)</i>				
State general fund appropriations	2,523,000	2,523,000	2,523,000	-
Intraagency transfer	-	-	-	-
<i>Total other financing sources (uses)</i>	2,523,000	2,523,000	2,523,000	-
<i>Net change in fund balances</i>	-	-	311,443	321,443
<i>Fund balance - beginning of year</i>	-	-	(30,958)	(30,958)
<i>Fund balance - end of year</i>	-	-	280,485	280,485
Net change in fund balance (budgetary basis)			\$ 311,443	
FY16 request to pay prior year bills that pertained to current year accounts payable			(56,214)	
FY15 request to pay prior year bills that pertained to prior year accounts payable			30,958	
Reversion expenditure omitted from budget basis			(311,443)	
Net change in fund balance GAAP basis			\$ (25,256)	

See independent auditor's report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget
(Budget Basis) and Actual
Special Appropriation
Special Revenue Fund
For The Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ -	-	-	-
Federal pass-through grants	-	-	-	-
Other filing fees	-	-	-	-
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	3,255,013	3,255,013	-	3,255,013
Capital outlay	-	-	-	-
<i>Total expenditures</i>	3,255,013	3,255,013	-	3,255,013
<i>Excess (deficiency) of revenues over expenditures</i>	(3,255,013)	(3,255,013)	-	3,255,013
<i>Other financing sources (uses)</i>				
State general fund appropriations	-	-	-	-
Special appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	(3,255,013)	(3,255,013)	-	3,255,013
<i>Fund balance - beginning of year</i>	3,255,013	3,255,013	3,255,013	-
<i>Fund balance - end of year</i>	\$ -	-	3,255,013	3,255,013
Net change in fund balance (budgetary basis)			\$ -	
Reversion expenditure omitted from budget basis			-	
Net change in fund balance GAAP basis			\$ -	

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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget
(Budget Basis) and Actual
Federal Direct Operating Grants Fund
Special Revenue Fund
For The Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ -	94,591,566	61,478,076	(33,113,490)
Federal pass-through grants	-	-	-	-
Other filing fees	-	-	-	-
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>94,591,566</u>	<u>61,478,076</u>	<u>(33,113,490)</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	-	3,187,996	2,378,593	809,403
Contractual services	-	1,103,872	1,102,907	965
Other costs	-	90,271,723	57,026,741	33,244,982
Capital outlay	-	27,975	27,975	-
<i>Total expenditures</i>	<u>-</u>	<u>94,591,566</u>	<u>60,536,216</u>	<u>34,055,350</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>941,860</u>	<u>941,860</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>941,860</u>	<u>941,860</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>-</u>	<u>941,860</u>	<u>941,860</u>
Net change in fund balance (budgetary basis)			\$ 941,860	
FY16 request to pay prior year bills that pertained to current year accounts payable			(1,463,619)	
FY15 request to pay prior year bills that pertained to prior year accounts payable			521,759	
Reversion expenditure omitted from budget basis			-	
Net change in fund balance GAAP basis			<u>\$ -</u>	

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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget
(Budget Basis) and Actual
Federal Flow-Through Operating Grants Fund
Special Revenue Fund
For The Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable
	Original	Final		(Unfavorable) Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ -	-	-	-
Federal pass-through grants	157,100	157,100	128,426	28,674
Other filing fees	-	-	-	-
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>157,100</u>	<u>157,100</u>	<u>128,426</u>	<u>28,674</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services and employee benefits	77,100	89,600	89,443	157
Contractual services	80,000	28,700	1,102	27,598
Other costs	-	38,800	38,309	491
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>157,100</u>	<u>157,100</u>	<u>128,854</u>	<u>28,246</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(428)</u>	<u>(428)</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(428)</u>	<u>(428)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>-</u>	<u>(428)</u>	<u>(428)</u>
Net change in fund balance (budgetary basis)			\$ (428)	
FY16 request to pay prior year bills that pertained to current year accounts payable			(503)	
FY15 request to pay prior year bills that pertained to prior year accounts payable			931	
Reversion expenditure omitted from budget basis			-	
Net change in fund balance GAAP basis			<u>\$ -</u>	

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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget
(Budget Basis) and Actual
Executive Orders State Disasters Fund
Special Revenue Fund
For The Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ -	-	-	-
Federal pass-through grants	-	-	-	-
Other filing fees	-	-	-	-
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	150,000	150,000	-	150,000
Contractual services	150,000	150,000	100,583	49,417
Other costs	9,075,000	9,075,000	6,928,657	2,146,343
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>9,375,000</u>	<u>9,375,000</u>	<u>7,029,240</u>	<u>2,345,760</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,375,000)</u>	<u>(9,375,000)</u>	<u>(7,029,240)</u>	<u>2,345,760</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	<u>9,375,000</u>	<u>9,375,000</u>	<u>9,375,000</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>9,375,000</u>	<u>9,375,000</u>	<u>9,375,000</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	2,345,760	2,345,760
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>33,979,417</u>	<u>33,979,417</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>-</u>	<u>36,325,177</u>	<u>36,325,177</u>
Net change in fund balance (budgetary basis)			\$ 2,345,760	
FY16 request to pay prior year bills that pertained to current year accounts payable			(31,089)	
FY15 request to pay prior year bills that pertained to prior year accounts payable			25,982	
Reversion expenditure omitted from budget basis			<u>(1,557,129)</u>	
Net change in fund balance GAAP basis			<u>\$ 783,524</u>	

See independent auditor's report
The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Department is presented to assist in the understanding of the Department's financial statements. The financial statements and notes are the representation of the Department's management who is responsible for their integrity and objectivity. The financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the state government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2015, the Department adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”). These two Statements are required to be implemented at the same time. For compliance with the requirement of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

A. Reporting Entity

The State of New Mexico Department of Homeland Security & Emergency Management was established by the Homeland Security and Emergency Management Department Act enacted at the 2007 session of the 48th New Mexico State Legislature and codified at Sections 9-28-1 to 9-28-7 NMSA.

The Department is responsible for all of New Mexico's Homeland Security and Emergency Management efforts. As stated in the Act, the purpose of this Department is to provide comprehensive and coordinated preparedness, mitigation, prevention, protection, and response and recovery for emergencies and disasters; act as the central primary coordinating agency for the state and its political subdivisions in response to emergencies, disasters, and acts or threats of terrorism; and act as the conduit for federal assistance and cooperation in response to emergencies, disasters, and acts or threats of terrorism.

The chief executive of the Department is the Cabinet Secretary, who is appointed by the Governor of the State of New Mexico. This position has decision making authority, the power to designate management, and primary accountability of fiscal matters. The Department is a department of the State of New Mexico, and these financial statements include all funds, programs, and activities of operations of only those *Statewide Human Resources, Accounting*

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2015

and Management Reporting System (SHARE) funds over which the Department Cabinet Secretary has oversight responsibility.

Based upon the application of the criteria in GASB Statements No. 14 and No. 39, the Department had no component units as of June 30, 2015.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Department. The Department's governmental activities are supported by general fund appropriations from the State of New Mexico. The Department has no business-type activities.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and appropriations. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied and related costs are incurred. Appropriations are recorded at the time the money is made available to a specific fund.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Department's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Department's general fund appropriations are shown as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Department did not have any funds classified as proprietary for the year ended June 30, 2015. The Department has altered the presentation of the fund financial statements for the year ended June 30, 2015. The prior years' financial statements did not appropriately reflect the funds activity and these financial statements have disaggregated the funds to give a more transparent view of the revenue sources and funding streams that flow from the Department.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2015

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Unavailable revenue is reported as a deferred inflow. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Department reports the following major governmental funds:

The *General Fund* is the Department's operating fund. The fund numbers in the Statewide Human Resource Accounting and Management Reporting System (SHARE) are funds 20050, 20051, 20053, and 20055. It is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in some other fund. The general fund is a reverting fund.

The *Special Appropriation Special Revenue Fund* (SHARE fund 93100) was established to account for the plan, design, and construction of improvements to roads, bridges, and infrastructure damaged by severe flooding in several New Mexico counties, as authorized by the 51st Legislature, 1st session, Laws 2013, Chapter 202.

The *Federal Direct Operating Grants Special Revenue Fund* (SHARE fund 20052) was established to account for specific revenue sources awarded pursuant to grant agreements. This fund was created under the authority of the New Mexico Department of Finance and Administration.

The *Federal Flow-Through Operating Grants Special Revenue Fund* (SHARE fund 20054) was established to account for specific revenue sources awarded pursuant to grant agreements. This fund was created under the authority of the New Mexico Department of Finance and Administration.

The *Executive Orders State Disasters Special Revenue Fund* (SHARE fund 20380) was established in accordance with Section 6-7-3 NMSA 1978 to account for funds designated for disaster assistance and rendering aid in emergency situations.

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The *Capital Projects Fund* (SHARE 89200) was established in accordance with Laws 2011, Chapter 183, Severance Tax Bonds, to account for the construction and equipping of an addition to the existing DHSEM facility (North Office Addition).

D. Assets, Liabilities and Net Position

Cash and Investments

For the fiscal year ended June 30, 2015, all of the Department's cash was maintained on deposit with the State Treasurer's General Fund Investment Pool (SGFIP). The State Treasurer has the authority 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 O, NMSA 1978 as amended. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer's Office. The Department does not have a separate bank account.

Federal Grants Receivable

Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Receivable or unearned balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period. Determining the amount of expenditures reimbursable by the federal government requires management to estimate allowable costs to be charged to the federal government. As a result, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

Capital Assets and Depreciation

Capital assets purchased or acquired are carried at historical costs or estimated historical costs. Contributed assets are recorded at the fair values 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. The State's capitalization policy (i.e. the dollar value above which asset acquisitions are added to the capital accounts) is \$5,000 per section 12-6-10 NMSA 1978. There is no debt related to the capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value, as follows:

Buildings	20 years
Data processing equipment	4 years
Equipment and machinery	5 years
Automobiles	5 years

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Compensated Absences

Up to thirty (30) days of accrued annual leave earned and not taken may be carried forward to the next calendar year. Any accrued leave in excess of 30 days is forfeited. Upon termination of employment, employees are compensated for accumulated annual leave as of the date of termination, up to thirty (30) days. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements.

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and long-term portion. The current portion is the amount *estimated* to be expended during fiscal year 2016.

Pensions

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501. For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to /deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classification Policies and Procedures

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the state. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. Unassigned fund balances represent the residual amount of fund balance after all classifications described above have been considered. As of June 30, 2015, the Department has no nonspendable fund balances. In addition, the Department has

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\$38,017,954 in amounts restricted pursuant to Laws of 2013, Chapter 202 for special appropriation and in accordance with Section 6-7-3 NMSA 1978 for executive orders.

Spending policy disclosure

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first. The Department has no authority to establish a minimum fund balance. This is the prerogative of the State Legislature and the Executive (Governor) Branch.

Net position classifications

The Statement of Net Position displays net position amounts in the following three components:

- 1) Net investment in capital assets. This classification of net position consists of capital assets net of accumulated depreciation as of June 30, 2015.
- 2) Restricted-This classification consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Board has \$38,017,954 in restricted amounts pursuant to Laws of 2013, Chapter 202 for special appropriation and in accordance with Section 6-7-3 NMSA 1978 for executive orders of state disasters as of June 30, 2015.
- 3) Unrestricted-This classification consists of all other net position amounts that do not meet the definition of "restricted" or "Net investment in capital assets."

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Department's financial statements include the current portion of compensated absences and useful lives of depreciable assets.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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1. No later than September 1st, the Department of Homeland Security and Emergency Management submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. Copies are also sent to the Legislative Finance Committee (LFC). The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
4. No later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the legislature. The DFA State Budget Division 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 by the LFC.
5. Budgetary control is exercised by the Department at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA State Budget Division.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, and Capital Projects Fund.
7. The budget for the General Fund, Special Revenue Funds, and the Capital Projects Fund is on the modified accrual basis. There were no accounts payable at June 30, 2015 that did not get paid within 31 days after the end of the fiscal year.
8. The original budgets differ from the final budgets presented in the budget comparison statements by amendments made during the fiscal year.
9. Appropriations lapse at the end of the fiscal year except for those amounts related to unexpended valid encumbrances for multi-year appropriations.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB Statement No. 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements. It includes the reconciliation of the net change in fund balance (per budgetary basis) to the net change in fund balance stated on the statement of revenues, expenditures and changes in fund balance.

NOTE 3. INVESTMENTS IN STATE TREASURER'S GENERAL FUND INVESTMENT POOL

State law requires the Department's cash to be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the investment pools managed by the New Mexico State Treasurer's Office. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer's Office. The Department does not have a separate bank account.

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At June 30, 2015, the Department had the following balances:

New Mexico State Treasurer's General Fund Investment Pool (SGFIP)

Fund	Fund #	Fair Value June 30, 2015
General Fund	20050, 20051, 20055	\$ 659,657
Federal Direct Operating Grants	20052	(14,654,414)
Fed Flow-Through Oper. Grants	20054	(15,015)
Executive Orders State Disasters	20380	35,154,129
Special Appropriation	93100	3,255,013
Capital Projects Fund	89200	-
		\$ 24,399,370

Interest Rate Risk: The State Treasurer's General Fund Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico State Treasurer's General Fund Investment Pool is not rated for credit risk.

For additional GASB 40 disclosure information regarding the investment in the New Mexico State Treasurer's General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2015.

State General Fund Investment Pool (SGFIP) Not Reconciled

As of June 30, 2015 the State's general ledger book to bank reconciliation contains a significant number of un-reconciled items. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer's Office on a monthly basis. None of the reconciling items pertain to the Department's transactions. The Department's controls to mitigate the effect of the statewide reconciliation issue include the following:

- Validation of allotments, deposits, expenditures, all general entries, operating transfers, and payroll expenditures/payroll liabilities by fund
- Review of outstanding warrants of the Department

Given these mitigating controls the impact of reconciling items on the Department's SGFIP balances is minimal. The Department is not permitted to have any other investments, and the Department did not have any other investments during the year ended June 30, 2015.

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NOTE 4. CAPITAL ASSETS

A summary of changes in capital asset and accumulated depreciation balance is as follows.

	2014	Additions	Deletions	2015
Capital assets being depreciated:				
Buildings	\$ 5,566,201	-	-	5,566,201
Data processing equipment	1,355,912	213,147	-	1,569,059
Equipment and machinery	1,637,881	46,297	-	1,684,178
Automobiles	1,993,268	-	-	1,993,268
Subtotal capital assets being depreciated	<u>10,553,262</u>	<u>259,444</u>	<u>-</u>	<u>10,812,706</u>
Less accumulated depreciation:				
Buildings and Improvements	(2,505,640)	(278,310)	-	(2,783,950)
Data processing equipment	(1,292,691)	(33,629)	-	(1,326,320)
Equipment and machinery	(1,080,260)	(209,238)	-	(1,289,498)
Automobiles	(1,740,758)	(70,217)	-	(1,810,975)
Total accumulated depreciation	<u>(6,619,349)</u>	<u>(591,394)</u>	<u>-</u>	<u>(7,210,743)</u>
Total capital assets being depreciated	<u>3,933,913</u>	<u>(331,950)</u>	<u>-</u>	<u>3,601,963</u>
Total capital assets (net)	<u>\$ 3,933,913</u>	<u>(331,950)</u>	<u>-</u>	<u>3,601,963</u>

The Department does not have any debt related to capital assets. Depreciation expense of \$591,394 is considered a public safety expense.

NOTE 5. COMPENSATED ABSENCES

The changes in liabilities for compensated absences are as follows:

	Balance		Balance	Current
	2014	Increase	2015	due within
		Decrease		one year
Governmental Activities	\$ 119,657	136,634	(121,177)	135,114
				<u>121,177</u>

The General Fund is typically used to liquidate compensated absences balances.

NOTE 6. DUE FROM OTHER STATE AGENCIES

The following amount is due from other state agencies as of June 30, 2015:

<u>Department/Fund</u>	<u>Agency</u>	<u>Agency Number</u>	<u>Fund Number</u>	<u>Amount</u>	<u>Purpose</u>
Federal Flow- Through Operating Grants - 20054	New Mexico Department of Energy & Minerals	52100	19902	\$ 18,260	Reimbursable expenditures for grant award

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NOTE 7. INTERAGENCY TRANSFERS

The following interagency transfers occurred during FY2015:

To Fund	Agency	Agency Number	From Fund	Amount	Purpose
20050	Department and Finance & Administration	34101	85300	\$ 2,523,000	General Fund Appropriations
85300	Department and Finance & Administration	34101	20050	(311,443)	FY15 Reversion
20380	Department and Finance & Administration	34101	85300	9,375,000	Executive Orders Reversions
85300	Department and Finance & Administration	34101	20380	(1,557,129)	Executive Order
			Total	<u>\$ 10,029,428</u>	

NOTE 8. DUE TO STATE GENERAL FUND

At June 30, 2015 the amount due to the State General Fund is made up of the following fiscal year reversions and stale dated warrants:

Year Ending June 30,	Amount
2014	\$ 39,797
2015	311,443
Stale warrants	<u>34,749</u>
	<u>\$ 385,989</u>

NOTE 9. DUE TO/DUE FROM FEDERAL GOVERNMENT

At June 30, 2015, the following amount was due from the federal government representing reimbursable expenditures for grant awards:

Due from	Due to	Amount
Federal Emergency Management Agency	Department of Homeland Security - Federal Direct Operating Grants Fund - 20052	\$ 15,281,388
U.S. Department of Homeland Security	Department of Homeland Security - Federal Direct Operating Grants Fund - 20052	3,785,399
U.S. Department of Transportation	Department of Homeland Security - Federal Direct Operating Grants Fund - 20052	<u>201,159</u>
		<u>\$ 19,267,946</u>

At June 30, 2015, the following amount was due to the federal government representing reimbursable expenditures for grant awards:

Due from	Due to	Amount
Department of Homeland Security - General Fund - 20050	Federal Emergency Management Agency	\$ <u>96,053</u>

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NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall total pension liability exceeds plan net pension resulting in a net pension liability. The state has determined that the state's share of pension liability is to be a liability of the state as a whole rather than any agency or department of the state and will not be reported in the department of the state or agency level financial statements of the state. All required disclosures will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows or resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 11. POST-EMPLOYMENT BENEFITS- STATE RETIREE HEALTH CARE PLAN

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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

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legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, 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 distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$58,373, \$50,966, and \$55,882, respectively, which equal the required contributions for each year.

NOTE 12. RISK MANAGEMENT

The Department is exposed to various risks of losses related to torts; theft of, 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 Department, 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 passed which allow RMD to insure, self-insure or use a combination of both. Risk management expenditures for the Department are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Department is a party.

NOTE 13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles required disclosures of certain information concerning individual funds including:

Deficit fund balances of individual funds. The following funds had a deficit fund balance as of June 30, 2015.

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The general fund reports a deficit of (\$56,214) due to additional accounts payable recorded for financial reporting purposes; however, the additional accounts payable is funded from the subsequent year's appropriations.

Fund 20052 reports a deficit of (\$3,580) due to a nonspendable travel advance.

Actual expenditures in excess of amount budgeted authority level. Budgetary legal level of control is at the appropriation program unit level. The following funds exceeded approved budgetary authority for the year ended June 30, 2015.

None

Designated cash appropriations in excess of available fund balances. There were no funds that had designated fund balances in excess of available fund balances at June 30, 2015.

NOTE 14. SPECIAL APPROPRIATIONS

During the 51st Legislature, 1st Session, Laws 2013, Chapter 202, the New Mexico legislature allowed for the extension of unexpended balances of certain appropriations made by the legislature for declared emergencies. As stated in the legislation, "the time of expenditure for the appropriation to the Homeland Security and Emergency Management Department in Laws 2008 (S.S.), Chapter 8, to plan, design, and construct improvements to roads, bridges, and infrastructure damaged by severe flooding in Lincoln and Otero counties is extended through fiscal year 2015."

During the 52nd Legislature, 2nd Session, Laws of 2016, Chapter 12, the New Mexico legislature authorized the reversion of unexpended balances of certain appropriations made by the legislature to the Department for declared emergencies. As stated in the legislation "Notwithstanding any restriction on the use of money in the funds or accounts, the following amounts from the following funds or accounts are transferred to the general fund operating reserve in fiscal year 2016 on the effective date of the act."

A summary of the remaining appropriation can be found in the Schedule of Special Appropriations and the Schedule of Executive Orders as listed in the table of contents.

NOTE 15. RESTATEMENT

During fiscal year 2015 the Department recorded restatements to correct previously reported balances. A summary of restatements to beginning fund balance/net position are as follows:

	Governmental Funds	Governmental Activities
Beginning Fund Balance/Net Position as previously reported	\$ 35,075,211	40,133,868
Due from federal government	522,690	522,690
Accounts payable	(579,630)	(579,630)
Rounding	1	-
Deferred inflows	1,244,400	-
Due to the state general fund	930,800	930,800
Beginning Fund Balance/Net Position restated	\$ 37,193,472	41,007,728

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The Department has altered the presentation of the fund financial statements for the year ended June 30, 2015. The prior years' financial statements did not appropriately reflect the funds activity and these financial statements have disaggregated the funds to give a more transparent view of the revenue sources and funding streams that flow to the Department. Fund disaggregation resulted in reclassification of prior year fund balances in the amount of \$3,255,013 from the general fund into the special appropriation fund. The \$3,255,013 reclassification into the special appropriation fund is sourced from \$(1,079,812) of previously reported fund balance in the general fund and \$(2,175,201) in fund balance restatements for Rounding, Deferred inflows, and Due to the State General Fund detailed above in the governmental funds column.

NOTE 16. SUBSEQUENT PRONOUNCEMENTS

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2016. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Department's financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2016. The Department expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2017. The Department is still evaluating how this pronouncement will affect the financial statements.

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NOTE 17. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 15, 2016, which is the date on which the financial statements were available to be issued. On March 31, 2016 \$3,255,013 of an unexpended special appropriation provided to the Department per Laws of 2008 (2nd S.S.), Chapter 8 for purposes of planning, designing, and constructing improvements to roads, bridges, and infrastructure damaged by severe flooding in Lincoln and Otero counties was reverted to the New Mexico General Fund Operating Reserve fund with an effective date of February 29, 2016 (FY16) pursuant to Laws of 2016 House Bill 311 section 1 item B. No other events were noted for disclosure or adjustment to the financial statements.

NOTE 18. CONTINGENCIES

The Department receives funding pursuant to various grant programs. The grant programs are often subject to periodic audits by grantor agencies, the purpose of which is to ensure compliance with the specific conditions of the grant that, if not met, could require the Department to refund amounts received by the grantor agencies. The Department believes it is in compliance with such conditions.

The Department is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the proceedings cannot be predicted, the Department believes that any potential liability would be covered through insurance, supplemental appropriations, or would be immaterial to the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget (Budget Basis) and Actual
Capital Projects Fund
For the Year Ended June 30, 2015

	Budgeted		Actual (Budget) Basis	Variances
	Amounts			Favorable (Unfavorable)
	Original	Final	Basis	Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ -	-	-	-
Federal pass-through grants	-	-	-	-
Other filing fees	-	-	-	-
Miscellaneous revenue	-	-	10,000	10,000
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	10,000	10,000
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance (budgetary basis)			\$ 10,000	
Reversion expenditure omitted from budget basis			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ 10,000</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Special Appropriations
For the Year Ended June 30, 2015

<u>Description</u>	<u>Authority</u>	<u>Appropriation Period</u>	<u>Original Appropriation</u>	<u>Current Year Expenditures</u>	<u>Previous Year's Expenditures</u>	<u>Appropriation Expired</u>	<u>Unexpended Portion</u>	<u>Restricted Fund Balance</u>
To plan, design and construct improvements to roads, bridges, and infrastructure damaged by severe flooding in Lincoln and Otero Counties	Extension: 52nd Legislature, 2nd Session, Laws 2016, Ch. 12 House Bill 311 Section 1 item B	July 1, 2009- February 29, 2016	\$ 4,900,000	\$ -	\$ 1,644,987	\$ -	\$ 3,255,013	\$ 3,255,013

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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Executive Orders
For the Year Ended June 30, 2015

Description	Appropriation Period
NMEO 07-19 1659 Matching Funds	2007 - Gov Rescinds
NMEO 07-20 1659 Matching Funds	2007 - Gov Rescinds
NMEO 07-22 1659 Matching Funds	2007 - Gov Rescinds
NMEO 08-37 Drought in State (Water Hauls)-Stand Alone	2008 - Gov Rescinds
NMEO 10-31 Flash Flooding, San Miguel Co.-Stand Alone	2010 - Gov Rescinds
NMEO 10-034 Flood Damage 1936 matching Mckinley co., Farmington, Acoma-Matching Funds	2010 - Gov Rescinds
NMEO 10-035 Flooding 1936 matching Mora Co.-Matching Funds	2010 - Gov Rescinds
NMEO 10-036 Flooding 1936 matching Socorro Co-Matching Funds	2010 - Gov Rescinds
NMEO 10-042 Flooding Kewa Pueb-Stand Alone	2010 - Gov Rescinds
NMEO 11-014 1962 Winter Storm-Matching Funds	2011 - Gov Rescinds
NMEO 11-040 Wallow Fire Catron County-Stand Alone	2011 - Gov Rescinds
NMEO 11-047 Track Fire Colfax, Mora and San Miguel-Stand Alone	2011 - Gov Rescinds
NMEO 11-053 Las Conchas Fire Los Alamos-Stand Alone	2011 - Gov Rescinds
NMEO 11-061 Donaldson Fire Lincoln County-Stand Alone	2011 - Gov Rescinds
NMEO 12-007 Flood potential due to wild fires-Stand Alone	2012 - Gov Rescinds
NMEO 12-008 Flooding 4047 Cibola, Los Alamos, and Sandoval Co-Matching Funds	2012 - Gov Rescinds
NMEO 11-075 4047 Cibola and Sandoval-Matching Funds	2011 - Gov Rescinds
NMEO 12-014 FMAG 2978 Whitewater Baldy Fire Catron County-Stand Alone	2012 - Gov Rescinds
NMEO 12-015 FMAG 2979 Little Bear Fire Lincoln County-Stand Alone	2012 - Gov Rescinds
NMEO 12-018 FMAG Whitewater Baldy and Little Bear fires Catron, Grant & Lincoln County-Stand Alone	2012 - Gov Rescinds
NMEO 12-032 Flooding Cibola, Los Alamos, and Sandoval Counties-Matching Funds	2012 - Gov Rescinds
NMEO 12-038 Hurricane Sandy-Matching Funds	2012 - Gov Rescinds
NMEO 13-001 Flooding Disaster Lincoln, Los Alamos, Sandoval Counties-Stand Alone	2013 - Gov Rescinds
NMEO 13-004 Sub-freezing temps Navajo Nations, San Juan, Mckinley, Valencia-Stand Alone	2013 - Gov Rescinds
NMEO 13-008 Tres Lagunas Fire-Stand Alone	2013 - Gov Rescinds
NMEO 13-010 Thompson Fire-Stand Alone	2012 - Gov Rescinds
NMEO 13-022 Flood Threat-Stand Alone	2013 - Gov Rescinds
NMEO 2014-004 Flooding disaster in Lincoln Chavez-Matching Funds	2014 - Gov Rescinds
NMEO 2014-006 Flooding disaster in Catron, Chavez, Cibola-Matching Funds	2014 - Gov Rescinds
NMEO 2014-005 Flooding disaster in Bernalillo-Matching Funds	2014 - Gov Rescinds
NMEO 2014-013 Monsoonal Flooding-Matching Funds	2014 - Gov Rescinds
NMEO 2014-015 Flooding From Hurricane Odile-Matching Funds	2014 - Gov Rescinds
NMEO 2013-034 Severe Winter Storms and Freezing Temp-Stand Alone	2013 - Gov Rescinds
NMEO 2013-031 Declaring a disaster statewide due to flooding-Stand Alone	2013 - Gov Rescinds
NMEO 2013-027 Emergency due to storms and flooding-Stand Alone	2013 - Gov Rescinds
NMEO #2015-008 Providing Additional Funding For Flooding Disaster in Colfax, Eddy, Lea, Lincoln, Counties-Matching Funds	2015 - Gov Rescinds
NMEO # 2015-007 Enhanced Flood Potential-Stand Alone	2015 - Gov Rescinds

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Executive Orders, Continued
For the Year Ended June 30, 2015

Original Appropriation	(restated) Audit Balance June 30, 2014	New Orders	Current Year Expenditures	Reversion	Balance June 30, 2015
750,000	\$ 24,074	\$ -	\$ 22,671	\$ -	\$ 1,403
750,000	677,736	-	284,942	-	392,794
750,000	617,148	-	-	617,148	-
500,000	291,919	-	-	-	291,919
200,000	105,061	-	-	-	105,061
400,000	339,270	-	-	-	339,270
750,000	397,712	-	-	-	397,712
750,000	706,313	-	279,745	-	426,568
250,000	218,470	-	-	218,470	-
750,000	433,588	-	15,771	-	417,817
200,000	119,036	-	4,523	114,513	-
200,000	124,004	-	-	124,004	-
750,000	665,158	-	194,978	-	470,180
100,000	100,000	-	-	100,000	-
250,000	72,459	-	10,183	-	62,276
450,000	247,025	-	-	-	247,025
300,000	164,101	-	-	-	164,101
500,000	200,951	-	34,140	-	166,811
750,000	439,792	-	151,120	-	288,672
750,000	198,191	-	-	-	198,191
750,000	157,985	-	-	-	157,985
200,000	193,646	-	-	193,646	-
10,500,000	9,776,745	-	837,791	-	8,938,954
100,000	89,348	-	-	89,348	-
750,000	748,540	-	-	-	748,540
500,000	458,525	-	-	-	458,525
750,000	623,280	-	-	-	623,280
8,000,000	7,974,018	-	6,943	-	7,967,075
5,500,000	5,500,000	-	3,432,450	-	2,067,550
1,375,000	1,375,000	-	1,001,037	-	373,963
750,000	-	750,000	216,240	-	533,760
750,000	-	750,000	336,703	-	413,297
100,000	100,000	-	-	100,000	-
750,000	418,443	-	102,434	-	316,009
500,000	421,879	-	102,676	-	319,203
7,125,000	-	7,125,000	-	-	7,125,000
750,000	-	750,000	-	-	750,000
	<u>\$33,979,417</u>	<u>\$9,375,000</u>	<u>\$7,034,347</u>	<u>\$1,557,129</u>	<u>\$34,762,941</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Joint Powers Agreements and Memorandums of Understanding
For the Year Ended June 30, 2015

Participants	Responsible Party for Operations	Description	Beginning & Ending Dates	Total Estimated Amount of Project	Agency Contributions in FY 2015	Audit Responsibility	Fiscal agent and responsible reporting entity
None							

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Vendor Information
For the Year Ended June 30, 2015

Prepared by: Department of Homeland Security
 Title: Chief Procurement Officer
 Date: May 2016

<u>RFP#/ RFB#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>	<u>Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendors that Responded</u>	<u>In- State/Out- of-State Vendor (Y or N) (Based on Statutory Definition)</u>	<u>Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A</u>	<u>Brief Description of the Scope of Work</u>
None								

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Grant Number		Federal Expenditures
DIRECT				
Federal Emergency Management Agency				
Pre-Disaster Mitigation	97.047	EMT-2012-PD-0002	(1)	44,340
Pre-Disaster Mitigation	97.047	EMT-2012-PC-0003	(1)	93,503
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	EMT-2014-CA-0003		100,152
Cooperating Technical Partners	97.045	EMT-2013-CA-0010	(2)	32,832
Cooperating Technical Partners	97.045	EMT-2013-CA-0011	(2)	60,957
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2011-CA-00052	(3)	9,957
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2012-CA-K00014	(3)	384,980
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-K00012	(3)	170,952
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2014-CA-K00167	(3)	459,441
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-1783-DR-NM	(4)	189,530
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-1659-DR-NM	(4)	870,138
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-1936-DR-NM	(4)	1,287,719
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-1962-DR-NM	(4)	28,952
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2933-FM-NM	(4)	36,107
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2935-FM-NM	(4)	34
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2917-FM-NM	(4)	17,806
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2978-FM-NM	(4)	42,421
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2979-FM-NM	(4)	2,754,366
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2981-FM-NM	(4)	156,229
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-2982-FM-NM	(4)	12,470
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-4047-DR-NM	(4)	672,450
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	DR-4079-NM	(4)	4,890,213
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-4148-DR-NM	(4)	3,935,344
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-4152-DR-NM	(4)	25,312,019
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-4197-DR-NM	(4)	835,883
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-4199-DR-NM	(4)	2,472,617
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	97.036	FEMA-5026-DR-NM	(4)	2,478,582
Hazard Mitigation Grant	97.039	FEMA-1783-DR-NM	(5)	32,977
Hazard Mitigation Grant	97.039	FEMA-1936-DR-NM	(5)	84,154
Hazard Mitigation Grant	97.039	FEMA-4047-DR-NM	(5)	94,862
Hazard Mitigation Grant	97.039	DR-4079-NM	(5)	46,550
Hazard Mitigation Grant	97.039	FEMA-4148-HM-NM	(5)	22,861
Hazard Mitigation Grant	97.039	FEMA-4152-HM-NM	(5)	81,144
Total Federal Emergency Management Agency				<u>47,712,542</u>
U.S. Department of Homeland Security				
Emergency Management Performance Grants	97.042	EMW-2012-EP-00039-S01	(6)	398,537
Emergency Management Performance Grants	97.042	EMW-2013-EP-00079	(6)	454,321
Emergency Management Performance Grants	97.042	EMW-2014-EP-00047	(6)	2,630,348
Homeland Security Grant Program	97.067	2009-SS-T9-0030	(7)	446,025
Homeland Security Grant Program	97.067	EMW-2011-SS-00094-S-01	(7)	1,989,594
Homeland Security Grant Program	97.067	EMW-2012-SS-00097-S01	(7)	1,242,272
Homeland Security Grant Program	97.067	EMW-2013-SS-00152	(7)	5,727,515
Homeland Security Grant Program	97.067	EMW-2014-SS-00030	(7)	701,672
Total U.S. Department of Homeland Security				<u>13,590,285</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0362-13-01-00	26,773
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0409-14-01-00	148,476
Total U.S. Department of Transportation			175,249
INDIRECT			
U.S. Department of Energy			
Passed through the NM Energy & Minerals Department			
Transport of Transuranic Wastes to the Waste Isolation Pilot Plan: States and Tribal Concerns, Proposed Solutions	81.106	DE-FC29-88AL538I3	128,426
Total U.S. Department of Energy			128,426
TOTAL FEDERAL AWARDS EXPENDED			\$ 61,606,502
*Major Program			
Reconciliation of federal expenditure to federal revenue:			
Federal revenue per Statement of Activities			61,606,502
Federal awards expended per SEFA			61,606,502
Difference			\$ -
		Subtotal by CFDA No.	Expenditures
		97.023	\$ 100,152
		97.025	1,025,330
		97.036	45,992,880
		97.039	362,548
		97.042	3,483,206
		97.045	93,789
		97.047	137,843
		97.067	10,107,078
		20.703	175,249
		81.106	128,426
			\$ 61,606,501

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2015

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Department of Homeland Security and Emergency Management (Department) and is presented on a modified accrual basis of accounting, which is the same basis of accounting used in preparation of the government fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Grants Administered by Department

During FY15 the ASB managed 65 federal grants. Within those awards there are a total of 320 individual sub-grantees with sub-grant agreements that are distributed and managed between four ASB staff. While the Grants Schedule contains information for disaster grants the number of sub-grantees and sub-grant agreements listed here only reflect Non-Disaster grants. When the ASD takes over direct administration of disaster grants duties in FY14/FY15 this number will rise significantly. The grants that are managed in ASD are listed below:

DHS/FEMA Emergency Management Performance Grant (EMPG)

Description: An all-hazards approach to emergency response, including the development of a comprehensive program of planning, training, and exercises, provides the foundation for an effective and consistent response to any threatened or actual disaster or emergency, regardless of the cause. As appropriated by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 11 0-329), the Emergency Management Performance Grant (EMPG) Program provides funding to assist State and local governments to enhance and sustain all-hazards emergency management capabilities.

DHS/FEMA State Homeland Security Grant Program (SHSGP)

Description: SHSGP supports the implementation of State Homeland Security Strategies to address the identified planning, organization, equipment, training, and exercise needs for acts of terrorism and other catastrophic events. In addition, SHSGP supports the implementation of the National Preparedness Guidelines, the National Incident Management System (NIMS), and the National Response Framework (NRF).

DHS/FEMA Community Assistance Program-State Support Service Element (CAP-SSSE)

Description: The CAP-SSSE provides financial assistance to states with identified flood hazard areas. In a cost effective partnership, it enables states to provide technical assistance to individual communities in order to promote floodplain management practices consistent with the intent of the National Flood Insurance Program (NFIP). To this end, State officials work with NFIP communities to identify and resolve floodplain management issues before they result in an enforcement action by the Federal Emergency Management Agency.

DHS/FEMA Urban Search & Rescue (USAR)

Description: The purpose of this Readiness Cooperative Agreement is to continue the development and maintenance of National Urban Search and Rescue (US&R) Response System resources to be prepared for mission response and to provide qualified personnel in support of Emergency Support Function-9 (ESF-9) activities under the National Incident Management System (NIMS) and the National Response Plan (NRP).

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2015

DHS Operation Stonegarden Grant Program (OPSG)

Description: Operation Stonegarden (OPSG) provides funding to designated localities to enhance cooperation and coordination between Federal, State, local, and tribal law enforcement agencies in a joint mission to secure the United States borders along routes of ingress from International borders to include travel corridors in States bordering Mexico and Canada, as well as States and territories with International water borders.

DHS Buffer Zone Protection Program (BZPP)

Description: The BZPP is one tool among a comprehensive set of measures authorized by Congress and implemented by the Administration to help strengthen the nation's critical infrastructure against risks associated with potential terrorist attacks. The BZPP is authorized by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 11 0-329). Below are some of our major federal grants. Our 33 county customers, as well as cities, villages and tribes participate in some or all of these programs.

DHS Public Safety Interoperable Communications Grant (PSIC)

Description: The Public Safety Interoperable Communications (PSIC) Grant Program is a one-time formula-based, matching grant program intended to enhance interoperable communications with respect to voice, data, and/or video signals. PSIC provides public safety agencies with the opportunity to achieve meaningful and measurable improvements to the state of public safety communications interoperability through the full and efficient use of all telecommunications resources.

DOT Hazardous Material Emergency Planning Grant (HMEP)

Description: The Hazardous Materials Emergency Planning Grant from DOT provides for hazardous materials emergency planning and training under the Federal Hazardous Materials Transportation Law for state and local personnel.

DHS Interoperable Emergency Communication Grant Program (IECGP)

Description: IECGP provides governance, planning, training and exercise funding to States, territories, and local and tribal governments to carry out initiatives to improve interoperable emergency communications, including communications in collective response to natural disasters, acts of terrorism, and other man-made disasters. All activities proposed under IECGP must be integral to interoperable emergency communications and must be aligned with the goals, objectives, and/or initiatives identified in the grantee's approved Statewide Communication Interoperability Plan (SCIP). If an SAA certifies that it's State or territory has fulfilled such governance, planning, training and exercise objectives, the Program provides the flexibility to purchase interoperable communications equipment with any remaining IECGP funds.

DHS Emergency Operations Center Grant Program (EOCGP)

Description: The FY 2008 Emergency Operations Center (EOC) Grant Program is intended to improve emergency management and preparedness capabilities by supporting flexible, sustainable, secure, and interoperable EOCs with a focus on addressing identified deficiencies and needs. Per Section 614 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5196c), as amended by section 202 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (P .L. 11 0-53), grant funding for construction or renovation of a State, local, or tribal government's principal Emergency Operations Center (EOC). This grant program is not intended to fund the construction or renovation of State, local, or tribal Fusion

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2015

Centers. (The ability to meet the matching requirement for this grant award is contingent on the approval of DHSEM's capital outlay request.)

DHS/FEMA Hazard Mitigation Grant Program (HMGP)

Description: This program is authorized under section 404 of the Stafford Act, 42 U.S.C. 5170c and implemented at 44 CFR Part 206. Subpart N. which authorizes funding for certain mitigation measures identified through the evaluation of natural hazards conducted under section 322 of the Stafford Act 42 U.S.C. 5165.

DHS/FEMA Fire Management Assistance Program (FMAG)

Description: The Governor of a State, or the Governor's Authorized Representative (GAR), may submit a request for a fire management assistance declaration. The request must be submitted while the fire is burning uncontrolled and threatens such destruction as would constitute a major disaster.

DHS/FEMA Public Assistance (PA) Individual Assistance (IA)

Description: When a catastrophe occurs in a State, the Governor of a State, or the Acting Governor in his/her absence may request a major disaster declaration. The Governor should submit the request to the President through the appropriate Regional Director. The request must be submitted within 30 day of the occurrence of the incident in order to be considered. The basis for the request shall be a finding that:

- a) The situation is of such severity and magnitude that effective response is beyond the capabilities of the State and affected local government, and;
- b) Federal assistance under the Act is necessary to supplement the efforts and available resources of the State, local governments, disaster relief organization, and compensation by insurance for disaster relief losses.

3. Subrecipients

The Department provided federal awards to subrecipients during the year. See Schedule of Subrecipients for detail.

4. Non-Cash Assistance Provided

The Department did not receive any non-cash federal assistance during the year.

5. Federally Funded Insurance and Federally Funded Loans

The Department has no federally funded insurance, and no federally funded loans or loan.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Subrecipients
For The Year Ended June 30, 2015

Subrecipient	Federal CFDA Number	Grant Number	Federal Expenditures
San Miguel County	97.047	EMT-2012-PD-0002	\$ 44,340
Guadalupe County	97.047	EMT-2012-PC-0003	7,607
Luna County	97.047	EMT-2012-PC-0003	34,839
McKinley County	97.047	EMT-2012-PC-0003	20,383
Valencia County	97.047	EMT-2012-PC-0003	26,552
New Mexico Floodplain Managers Association	97.023	EMT-2014-CA-0003	9,449
University of New Mexico	97.045	EMT-2013-CA-0010	32,832
University of New Mexico	97.045	EMT-2013-CA-0011	61,021
City of Ruidoso Downs	97.036	FEMA-1783-DR-NM	27,823
Village of Ruidoso	97.036	FEMA-1783-DR-NM	48,276
Pueblo of Acoma	97.036	FEMA-1659-DR-NM	718,221
Taos Pueblo CMS Administration	97.036	FEMA-1659-DR-NM	145,671
McKinley County	97.036	FEMA-1659-DR-NM	6,246
Pueblo of Acoma	97.036	FEMA-1936-DR-NM	806,300
City of Gallup	97.036	FEMA-1936-DR-NM	36,364
Cubero Land Grant Irrigation Association	97.036	FEMA-1936-DR-NM	25,754
McKinley County	97.036	FEMA-1936-DR-NM	312,043
Socorro County	97.036	FEMA-1936-DR-NM	91,066
Enchanted Forest Water Corporation	97.036	FEMA-1962-DR-NM	16,157
Pueblo of Pojoaque	97.036	FEMA-1962-DR-NM	4,767
Village of Ruidoso	97.036	FEMA-1962-DR-NM	4,779
Village of Tularosa	97.036	FEMA-1962-DR-NM	106
Santa Clara Pueblo	97.036	FEMA-2933-FM-NM	11,513
NM Energy, Minerals, Natural Resources Department	97.036	FEMA-2935-FM-NM	34
Catron County	97.036	FEMA-2978-FM-NM	42,421
NM Energy, Minerals, Natural Resources Department	97.036	FEMA-2979-FM-NM	2,754,365
NM Energy, Minerals, Natural Resources Department	97.036	FEMA-2981-FM-NM	156,229
NM Energy, Minerals, Natural Resources Department	97.036	FEMA-2982-FM-NM	12,470
City of Grants	97.036	FEMA-4047-DR-NM	42,876
Incorporated County of Los Alamos	97.036	FEMA-4047-DR-NM	506,871
City of Alamogordo	97.036	DR-4079-NM	3,212,616
Incorporated County of Los Alamos	97.036	DR-4079-NM	847,613
Lincoln Acequia Association	97.036	DR-4079-NM	5,989
Mescalero Apache Tribe	97.036	DR-4079-NM	228,080
Village of Ruidoso	97.036	DR-4079-NM	56,420
Santa Clara Pueblo	97.036	DR-4079-NM	385,013
Storm Ditch	97.036	DR-4079-NM	214
Albuquerque Public Schools	97.036	FEMA-4148-DR-NM	45,750
City of Albuquerque	97.036	FEMA-4148-DR-NM	1,211,150
Bernalillo County	97.036	FEMA-4148-DR-NM	442,577
Columbus Electric Coop, Inc	97.036	FEMA-4148-DR-NM	14,910
Village of Columbus	97.036	FEMA-4148-DR-NM	12,819
Village of Corrales	97.036	FEMA-4148-DR-NM	270,539
Sierra County	97.036	FEMA-4148-DR-NM	58,779
Luna County	97.036	FEMA-4148-DR-NM	7,208
Middle Rio Grande Conservancy District	97.036	FEMA-4148-DR-NM	150,718

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Pueblo de Cochiti	97.036	FEMA-4148-DR-NM	\$ 51,899
Pueblo de San Felipe	97.036	FEMA-4148-DR-NM	105,107
City of Raton	97.036	FEMA-4148-DR-NM	2,288
Pueblo of Sandia	97.036	FEMA-4148-DR-NM	613,351
Sandoval County	97.036	FEMA-4148-DR-NM	12,904
Santo Domingo Tribe	97.036	FEMA-4148-DR-NM	358,054
Socorro County	97.036	FEMA-4148-DR-NM	400,890
Southern Sandoval County Arroyo Flood Control	97.036	FEMA-4148-DR-NM	77,651
State Fair Commission	97.036	FEMA-4148-DR-NM	85,391
State of Idaho	97.036	FEMA-4152-DR-NM	8,680
Acequia Ancon	97.036	FEMA-4152-DR-NM	7,245
Acequia de La Concepcion	97.036	FEMA-4152-DR-NM	43,872
Acequia de Los Barelvas	97.036	FEMA-4152-DR-NM	9,930
Acequia de Los Ortiz	97.036	FEMA-4152-DR-NM	750
Acequia de Los Vigiles	97.036	FEMA-4152-DR-NM	9,735
Acequia de Ojo Sarco	97.036	FEMA-4152-DR-NM	6,576
Acequia del Cano	97.036	FEMA-4152-DR-NM	11,007
Acequia del Rancho	97.036	FEMA-4152-DR-NM	27,200
Acequia Larga de Jacona	97.036	FEMA-4152-DR-NM	42,059
Acequia Madre de Las Vegas	97.036	FEMA-4152-DR-NM	14,746
Pueblo of Acoma	97.036	FEMA-4152-DR-NM	422,861
Ancon del Gato Acequia	97.036	FEMA-4152-DR-NM	25,467
Arch Hurley Conservancy	97.036	FEMA-4152-DR-NM	91,858
City of Aztec	97.036	FEMA-4152-DR-NM	82,463
Camino Real Regional Utility Authority	97.036	FEMA-4152-DR-NM	38,728
City of Carlsbad	97.036	FEMA-4152-DR-NM	621,661
Catron County	97.036	FEMA-4152-DR-NM	323,127
Chaves County	97.036	FEMA-4152-DR-NM	179,145
Chili Community Ditch Association	97.036	FEMA-4152-DR-NM	1,709
City of Anthony	97.036	FEMA-4152-DR-NM	3,688
City of Santa Rosa	97.036	FEMA-4152-DR-NM	100,453
City of the Elephant Butte	97.036	FEMA-4152-DR-NM	39,011
Village of Corrales	97.036	FEMA-4152-DR-NM	79,063
Sierra County	97.036	FEMA-4152-DR-NM	1,966,074
Cubero Land Grant Irrigation Association	97.036	FEMA-4152-DR-NM	14,358
Cuchillo Valley Acequia Association	97.036	FEMA-4152-DR-NM	1,916
Dona Ana County	97.036	FEMA-4152-DR-NM	838,770
Eddy County	97.036	FEMA-4152-DR-NM	305,008
Town of Estancia	97.036	FEMA-4152-DR-NM	1,181
City of Farmington	97.036	FEMA-4152-DR-NM	619,635
Fort Sumner Irrigation District	97.036	FEMA-4152-DR-NM	136,887
Fort Sumner Municipal Schools	97.036	FEMA-4152-DR-NM	594
Gallinas Canal Acequia	97.036	FEMA-4152-DR-NM	1,500
Guadalupe County	97.036	FEMA-4152-DR-NM	128,716
Hagerman Irrigation	97.036	FEMA-4152-DR-NM	49,800
Incorporated County of Los Alamos	97.036	FEMA-4152-DR-NM	2,721,536
Pueblo of Jemez	97.036	FEMA-4152-DR-NM	649,357

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<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
La Acequia de Los Garcias-Durans	97.036	FEMA-4152-DR-NM	\$ 15,579
Labadie Ditch Association	97.036	FEMA-4152-DR-NM	9,397
Pueblo of Laguna	97.036	FEMA-4152-DR-NM	541,109
Las Palomas Community Ditch Commission	97.036	FEMA-4152-DR-NM	5,316
Las Tusas Community Ditch Association	97.036	FEMA-4152-DR-NM	4,417
City of Las Vegas	97.036	FEMA-4152-DR-NM	15,781
Lincoln County	97.036	FEMA-4152-DR-NM	47,330
Lower Las Animas Ditch Group	97.036	FEMA-4152-DR-NM	4,649
Lower Rio Grande Public Water Works Authority	97.036	FEMA-4152-DR-NM	6,776
McKinley County	97.036	FEMA-4152-DR-NM	776,372
Mescalero Apache Tribe	97.036	FEMA-4152-DR-NM	63,607
Middle Rio Grande Conservancy District	97.036	FEMA-4152-DR-NM	65,665
Monticello Community Ditch	97.036	FEMA-4152-DR-NM	47,186
Mora County	97.036	FEMA-4152-DR-NM	123,545
NM Energy, Minerals, Natural Resources Department	97.036	FEMA-4152-DR-NM	20,443
Ohkay Owingeh	97.036	FEMA-4152-DR-NM	72,532
Otero County	97.036	FEMA-4152-DR-NM	422,556
Village of Pecos	97.036	FEMA-4152-DR-NM	1,364
Pojoaque Valley Irrigation District	97.036	FEMA-4152-DR-NM	1,342,790
Pueblo de Cochiti	97.036	FEMA-4152-DR-NM	1,261,341
Pueblo de San Felipe	97.036	FEMA-4152-DR-NM	50,493
Pueblo of Isleta	97.036	FEMA-4152-DR-NM	13,888
Pueblo of Nambe	97.036	FEMA-4152-DR-NM	177,208
Pueblo of Pojoaque	97.036	FEMA-4152-DR-NM	41,000
Rio Arriba County Treasurer	97.036	FEMA-4152-DR-NM	146,018
City of Rio Rancho	97.036	FEMA-4152-DR-NM	459,971
City of Roswell	97.036	FEMA-4152-DR-NM	300
Round House Ditch Acequia	97.036	FEMA-4152-DR-NM	4,839
San Agustine Community Ditch Association	97.036	FEMA-4152-DR-NM	51,134
Pueblo de San Ildefonso	97.036	FEMA-4152-DR-NM	254,635
San Jose Hernandez Community Ditch	97.036	FEMA-4152-DR-NM	33,180
San Juan County	97.036	FEMA-4152-DR-NM	560,517
San Miguel County	97.036	FEMA-4152-DR-NM	168,952
Pueblo of Sandia	97.036	FEMA-4152-DR-NM	35,565
Sandoval County	97.036	FEMA-4152-DR-NM	19,094
Santa Ana Pueblo	97.036	FEMA-4152-DR-NM	224,232
Santo Domingo Tribe	97.036	FEMA-4152-DR-NM	4,074,355
Socorro County	97.036	FEMA-4152-DR-NM	219,673
Sombrillo Community Ditch	97.036	FEMA-4152-DR-NM	13,885
Southern Sandoval County Arroyo Flood Control	97.036	FEMA-4152-DR-NM	2,574,262
Storm Ditch	97.036	FEMA-4152-DR-NM	1,093
Storrie Project Water Users	97.036	FEMA-4152-DR-NM	234,203
Treasurer of Sunland Park	97.036	FEMA-4152-DR-NM	101,919
Taos Pueblo Tribal Government Operations	97.036	FEMA-4152-DR-NM	14,181
Tecolote MDWCA	97.036	FEMA-4152-DR-NM	85,878
Torrance County	97.036	FEMA-4152-DR-NM	127,392
West Las Vegas School District	97.036	FEMA-4152-DR-NM	15,631

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West Puerto de Luna Community Ditch	97.036	FEMA-4152-DR-NM	\$ 834,713
Pueblo of Zia	97.036	FEMA-4152-DR-NM	223,514
Pueblo of Zuni	97.036	FEMA-4152-DR-NM	30,185
Acequia de Los Vigiles	97.036	FEMA-4197-DR-NM	11,752
Acequia Junta y Cienega	97.036	FEMA-4197-DR-NM	43,239
Pueblo of Acoma	97.036	FEMA-4197-DR-NM	348,201
Ancon del Gato Acequia Association	97.036	FEMA-4197-DR-NM	25,511
East Puerto de Luna Ditch	97.036	FEMA-4197-DR-NM	17,226
El Garbullo Community Ditch	97.036	FEMA-4197-DR-NM	2,648
Lincoln County	97.036	FEMA-4197-DR-NM	6,689
Los Salazars Community Ditch Rio Arriba	97.036	FEMA-4197-DR-NM	4,048
Los Trigos Ditch	97.036	FEMA-4197-DR-NM	26,625
Jose R Lucero	97.036	FEMA-4197-DR-NM	5,437
Rinconada Isla Community Ditch	97.036	FEMA-4197-DR-NM	8,173
Rio Arriba County Treasurer	97.036	FEMA-4197-DR-NM	2,629
Santo Domingo Tribe	97.036	FEMA-4197-DR-NM	28,099
Tecolotito Mutual Domestic Water	97.036	FEMA-4197-DR-NM	5,442
West Puerto de Luna Community Ditch	97.036	FEMA-4197-DR-NM	299,876
State of Idaho	97.036	FEMA-4199-DR-NM	14,925
Carlsbad Irrigation District	97.036	FEMA-4199-DR-NM	157,924
City of Carlsbad	97.036	FEMA-4199-DR-NM	3,861
Chosas Ditch North	97.036	FEMA-4199-DR-NM	7,538
Village of Cimarron	97.036	FEMA-4199-DR-NM	46,186
City of Lovington	97.036	FEMA-4199-DR-NM	49,280
City of the Elephant Butte	97.036	FEMA-4199-DR-NM	15,367
Eddy County	97.036	FEMA-4199-DR-NM	297,854
City of Eunice	97.036	FEMA-4199-DR-NM	93,249
Lea County	97.036	FEMA-4199-DR-NM	1,156,340
Lincoln County	97.036	FEMA-4199-DR-NM	4,669
Monticello Community Ditch	97.036	FEMA-4199-DR-NM	5,023
Otero County	97.036	FEMA-4199-DR-NM	9,369
Pojoaque Valley Irrigation District	97.036	FEMA-4199-DR-NM	514,087
Pueblo of Nambe	97.036	FEMA-4199-DR-NM	73,707
Village of Williamsburg	97.036	FEMA-4199-DR-NM	23,154
NM Energy, Minerals, Natural Resources Department	97.036	FEMA-5026-DR-NM	2,478,582
Dona Ana County	97.039	FEMA-1783-DR-NM	13,562
City of Santa Fe	97.039	FEMA-1783-DR-NM	10,954
De Baca County	97.039	FEMA-1936-DR-NM	17,328
New Mexico Broadcasters Association	97.039	FEMA-1936-DR-NM	30,659
City of Roswell	97.039	FEMA-1936-DR-NM	6,000
Santa Clara Pueblo	97.039	FEMA-1936-DR-NM	30,000
Lea County	97.039	FEMA-4047-DR-NM	404
City of Alamogordo	97.039	FEMA-4047-DR-NM	9,669
Rio Arriba County Treasurer	97.039	FEMA-4047-DR-NM	23,043
San Juan County	97.039	FEMA-4047-DR-NM	5,062
University of New Mexico	97.039	FEMA-4152-HM-NM	19,783

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Subrecipient	Federal CFDA Number	Grant Number	Federal Expenditures
City of Albuquerque	97.042	EMW-2012-EP00039-S01	87,824
Bernalillo County	97.042	EMW-2012-EP00039-S01	26,434
City of Clovis	97.042	EMW-2012-EP00039-S01	14,322
Sierra County	97.042	EMW-2012-EP00039-S01	10,882
De Baca County	97.042	EMW-2012-EP00039-S01	1,628
Dona Ana County	97.042	EMW-2012-EP00039-S01	34,331
Guadalupe County	97.042	EMW-2012-EP00039-S01	9,150
Incorporated County of Los Alamos	97.042	EMW-2012-EP00039-S01	25,587
McKinley County	97.042	EMW-2012-EP00039-S01	39,363
Regents of New Mexico State	97.042	EMW-2012-EP00039-S01	37,503
City of Rio Rancho	97.042	EMW-2012-EP00039-S01	11,031
City of Roswell	97.042	EMW-2012-EP00039-S01	7,805
San Juan County	97.042	EMW-2012-EP00039-S01	27,833
San Miguel County	97.042	EMW-2012-EP00039-S01	21,156
Sandoval County	97.042	EMW-2012-EP00039-S01	10,093
City of Santa Fe	97.042	EMW-2012-EP00039-S01	16,896
Torrance County	97.042	EMW-2012-EP00039-S01	20,533
Department of Public Safety	97.042	EMW-2013-EP-00079	12,227
New Mexico Institute of Mining & Technology	97.042	EMW-2013-EP-00079	6,738
City of Albuquerque	97.042	EMW-2014-EP-00047	75,739
Bernalillo County	97.042	EMW-2014-EP-00047	70,752
City of Clovis	97.042	EMW-2014-EP-00047	36,655
Cibola County	97.042	EMW-2014-EP-00047	14,801
Sierra County	97.042	EMW-2014-EP-00047	17,313
De Baca County	97.042	EMW-2014-EP-00047	4,896
Dona Ana County	97.042	EMW-2014-EP-00047	95,425
Grant County	97.042	EMW-2014-EP-00047	13,707
Guadalupe County	97.042	EMW-2014-EP-00047	24,456
Incorporated County of Los Alamos	97.042	EMW-2014-EP-00047	41,366
Lea County	97.042	EMW-2014-EP-00047	43,689
Luna County	97.042	EMW-2014-EP-00047	14,689
McKinley County	97.042	EMW-2014-EP-00047	44,625
City of Portales	97.042	EMW-2014-EP-00047	4,931
Quay County	97.042	EMW-2014-EP-00047	2,232
Regents of New Mexico State	97.042	EMW-2014-EP-00047	297,071
City of Rio Rancho	97.042	EMW-2014-EP-00047	35,881
City of Roswell	97.042	EMW-2014-EP-00047	25,665
San Juan County	97.042	EMW-2014-EP-00047	70,630
San Miguel County	97.042	EMW-2014-EP-00047	36,997
Sandoval County	97.042	EMW-2014-EP-00047	31,127
City of Santa Fe	97.042	EMW-2014-EP-00047	43,598
Torrance County	97.042	EMW-2014-EP-00047	19,929
Treasurer of Union County	97.042	EMW-2014-EP-00047	21,076
Valencia County	97.042	EMW-2014-EP-00047	47,110
City of Albuquerque	97.067	2009-SS-T9-0030	446,025
City of Albuquerque	97.067	EMW-2011-SS-00094-S01	18,604
McKinley County	97.067	EMW-2011-SS-00094-S01	3,000

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City of Albuquerque	97.067	EMW-2011-SS-00094-S01	175,874
Sierra County	97.067	EMW-2011-SS-00094-S01	60,015
Dona Ana County	97.067	EMW-2011-SS-00094-S01	44,436
McKinley County	97.067	EMW-2011-SS-00094-S01	6,272
San Juan County	97.067	EMW-2011-SS-00094-S01	23,692
San Miguel County	97.067	EMW-2011-SS-00094-S01	4,430
San Juan County	97.067	EMW-2011-SS-00094-S01	30,934
City of Albuquerque	97.067	EMW-2011-SS-00094-S01	60,294
City of Albuquerque	97.067	EMW-2011-SS-00094-S01	263,353
Dona Ana County	97.067	EMW-2011-SS-00094-S01	493,731
Grant County	97.067	EMW-2011-SS-00094-S01	54,304
Hidalgo County	97.067	EMW-2011-SS-00094-S01	66,796
Luna County Sheriff's Department	97.067	EMW-2011-SS-00094-S01	559,748
Otero County	97.067	EMW-2011-SS-00094-S01	108,859
Bernalillo County	97.067	EMW-2011-SS-00094-S01	6,095
City of Clovis	97.067	EMW-2011-SS-00094-S01	6,605
Sierra County	97.067	EMW-2011-SS-00094-S01	1,360
Dona Ana County	97.067	EMW-2011-SS-00094-S01	5,975
Grant County	97.067	EMW-2011-SS-00094-S01	8,025
Guadalupe County	97.067	EMW-2011-SS-00094-S01	1,547
Incorporated County of Los Alamos	97.067	EMW-2011-SS-00094-S01	7,022
Lea County	97.067	EMW-2011-SS-00094-S01	387
Luna County	97.067	EMW-2011-SS-00094-S01	2,301
McKinley County	97.067	EMW-2011-SS-00094-S01	7,395
City of Rio Rancho	97.067	EMW-2011-SS-00094-S01	5,898
San Juan County	97.067	EMW-2011-SS-00094-S01	3,092
San Miguel County	97.067	EMW-2011-SS-00094-S01	572
Sandoval County	97.067	EMW-2011-SS-00094-S01	7,392
City of Santa Fe	97.067	EMW-2011-SS-00094-S01	2,119
City of Albuquerque	97.067	EMW-2012-SS-00097-S01	55,100
Sandoval County	97.067	EMW-2012-SS-00097-S01	95,686
City of Santa Fe	97.067	EMW-2012-SS-00097-S01	48,468
Torrance County	97.067	EMW-2012-SS-00097-S01	14,452
City of Santa Fe	97.067	EMW-2012-SS-00097-S01	732
City of Albuquerque	97.067	EMW-2012-SS-00097-S01	56,739
Bernalillo County	97.067	EMW-2012-SS-00097-S01	14,875
Dona Ana County	97.067	EMW-2012-SS-00097-S01	111,172
Sandoval County	97.067	EMW-2012-SS-00097-S01	20,708
Dona Ana County	97.067	EMW-2012-SS-00097-S01	4,025
Hidalgo County	97.067	EMW-2012-SS-00097-S01	242,218
Luna County Sheriff's Department	97.067	EMW-2012-SS-00097-S01	347,363
Otero County	97.067	EMW-2012-SS-00097-S01	148,388
Bernalillo County	97.067	EMW-2012-SS-00097-S01	10,371
Regents of New Mexico State	97.067	EMW-2012-SS-00097-S01	77,033
Rio Arriba County Treasurer	97.067	EMW-2012-SS-00097-S01	830
City of Santa Fe	97.067	EMW-2012-SS-00097-S01	18,772
City of Albuquerque	97.067	EMW-2013-SS-00152	17,614

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Subrecipient	Federal CFDA Number	Grant Number	Federal Expenditures
City of Rio Rancho	97.067	EMW-2013-SS-00152	5,433
San Juan County	97.067	EMW-2013-SS-00152	42,775
Socorro County	97.067	EMW-2013-SS-00152	5,000
City of Rio Rancho	97.067	EMW-2013-SS-00152	4,491
City of Albuquerque	97.067	EMW-2013-SS-00152	5,415
Bernalillo County	97.067	EMW-2013-SS-00152	36,000
Taos County	97.067	EMW-2013-SS-00152	49,832
De Baca County	97.067	EMW-2013-SS-00152	7,992
Dona Ana County	97.067	EMW-2013-SS-00152	29,250
Guadalupe County	97.067	EMW-2013-SS-00152	687
Incorporated County of Los Alamos	97.067	EMW-2013-SS-00152	9,977
Luna County	97.067	EMW-2013-SS-00152	4,928
Otero County	97.067	EMW-2013-SS-00152	133,268
City of Roswell	97.067	EMW-2013-SS-00152	23,998
San Juan County	97.067	EMW-2013-SS-00152	7,989
San Miguel County	97.067	EMW-2013-SS-00152	22,553
Sandoval County	97.067	EMW-2013-SS-00152	75,124
City of Santa Fe	97.067	EMW-2013-SS-00152	180,915
Socorro County	97.067	EMW-2013-SS-00152	73,493
Cibola County	97.067	EMW-2013-SS-00152	25,000
Dona Ana County	97.067	EMW-2013-SS-00152	552,609
Guadalupe County	97.067	EMW-2013-SS-00152	11,599
Luna County	97.067	EMW-2013-SS-00152	13,295
San Juan County	97.067	EMW-2013-SS-00152	238,684
Bernalillo County	97.067	EMW-2013-SS-00152	239,309
Incorporated County of Los Alamos	97.067	EMW-2013-SS-00152	62,972
San Miguel County	97.067	EMW-2013-SS-00152	124,310
Treasurer of Union County	97.067	EMW-2013-SS-00152	9,362
City of Albuquerque	97.067	EMW-2013-SS-00152	41,925
Grant County	97.067	EMW-2013-SS-00152	221,520
Lea County	97.067	EMW-2013-SS-00152	55,655
Hidalgo County	97.067	EMW-2013-SS-00152	613,950
Luna County Sheriff's Department	97.067	EMW-2013-SS-00152	573,656
City of Clovis	97.067	EMW-2013-SS-00152	45,932
Sierra County	97.067	EMW-2013-SS-00152	227
Rio Arriba County Treasurer	97.067	EMW-2013-SS-00152	4,640
City of Rio Rancho	97.067	EMW-2013-SS-00152	19,403
Guadalupe County	97.067	EMW-2014-SS-00030	18,844
Bernalillo County	97.067	EMW-2014-SS-00030	18,684
City of Clovis	97.067	EMW-2014-SS-00030	6,548
Sierra County	97.067	EMW-2014-SS-00030	153,867
De Baca County	97.067	EMW-2014-SS-00030	55,984
Grant County	97.067	EMW-2014-SS-00030	42,682
Lea County	97.067	EMW-2014-SS-00030	17,945
Rio Arriba County Treasurer	97.067	EMW-2014-SS-00030	44,939
City of Rio Rancho	97.067	EMW-2014-SS-00030	5,737
City of Roswell	97.067	EMW-2014-SS-00030	16,784

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Subrecipients
For The Year Ended June 30, 2015

<u>Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Valencia County	97.067	EMW-2014-SS-00030	48,756
Cibola County	97.067	EMW-2014-SS-00030	1,942
Incorporated County of Los Alamos	97.067	EMW-2014-SS-00030	8,762
San Miguel County	97.067	EMW-2014-SS-00030	76,138
Luna County	97.067	EMW-2014-SS-00030	251
Bernalillo County	20.703	HM-HMP-0362-13-01-00	10,669
City of Farmington	20.703	HM-HMP-0362-13-01-00	19,294
McKinley County	20.703	HM-HMP-0362-13-01-00	24,267
City of Santa Fe	20.703	HM-HMP-0362-13-01-00	5,730
City of Albuquerque	20.703	HM-HMP-0409-14-01-00	8,550
Farmington Fire Department	20.703	HM-HMP-0409-14-01-00	8,900
Luna County	20.703	HM-HMP-0409-14-01-00	3,000
McKinley County	20.703	HM-HMP-0409-14-01-00	24,217
San Miguel County	20.703	HM-HMP-0409-14-01-00	12,058
			\$ <u>55,418,619</u>

<u>Subtotals by CFDA No.</u>	<u>Expenditures</u>
97.023	\$ 9,449
97.036	45,481,018
97.039	166,465
97.042	1,555,695
97.045	93,852
97.047	133,721
97.067	7,861,732
20.703	116,685
	\$ <u>55,418,619</u>

**INDEPENDENT AUDITOR'S 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**

Jay Mitchell, Cabinet Secretary
State of New Mexico
Department of Homeland Security
and
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons of the general fund and major special revenue funds of the New Mexico Department of Homeland Security (the Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and related budgetary comparison of the Department, presented as supplemental information, and have issued our report thereon dated November 14, 2016. Our report disclaims an opinion on such financial statements because of the scope limitation described in 2015-011.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2015-001, 2015-004, 2015-010 and 2015-011.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2015-002, 2015-005, 2015-008 and 2015-009.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Department, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001, 2015-001 through 2015-003, 2015-005 through 2015-007, 2015-009 through 2015-018. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

The Department's Responses to the Findings

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

Purpose of This Report

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



Hinkle + Landers, P.C.
Albuquerque, NM
November 14, 2016



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED WITH OMB CIRCULAR A-133**

Jay Mitchell, Cabinet Secretary
State of New Mexico
Department of Homeland Security
and
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We were engaged to audit the New Mexico Department of Homeland Security (the Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department’s major federal programs for the year ended June 30, 2015. The Department’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Department’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Because of the matter described in the “Basis for Disclaimer of Opinion” paragraph, we were unable to obtain sufficient appropriate evidence to opine on the Department’s major Federal programs listed in the following section.

As described in Finding 2015-011, we were unable to obtain sufficient documentation supporting the Department’s compliance with the requirements of its Major Programs nor were we able to satisfy ourselves as to the Department’s compliance with these requirements by other auditing procedures.

Disclaimer of Opinion on Major Programs

Because of the matters described in the preceding paragraph, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the Department's compliance with the compliance requirements applicable to its Major Programs.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items: 2015-003, 2015-011 through 2015-013, 2015-015 through 2015-017. The instances of noncompliance related to all programs and compliance requirements:

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

Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item: 2015-011 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: 2015-0043, 2015-009, 2015-011 through 2015-017 to be significant weaknesses.

November 14, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED WITH OMB CIRCULAR A-
133, continued**

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

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
November 14, 2016

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued	Disclaimer	
Internal Control over financial reporting:		
Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No
Non-compliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Federal Awards:

Internal Control		
Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No
Type of auditor’s report issued on major programs	Disclaimer	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </u> No

Identification of major program as noted below:

CFDA Numbers	Name of Federal Programs	Funding Source
97.036	Disaster Grants – Public Assistance	U.S. Department of Homeland Security

Dollar threshold used to distinguish between A and B programs: \$1,848,195

Auditee qualified as low-risk auditee? Yes X No

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
2013-001 [13-01]	SUBGRANTEE REPORTING	Resolved	E, F
2014-001	INTERNAL CONTROLS OVER CASH RECEIPTS	Repeated	C, G
2014-002	PREPAYMENTS OF SERVICES	Resolved	G
Current Year Findings			
2015-001	LACK OF CASH RECONCILIATION PROCESS	Current	A, G
2015-002	CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY	Current	B, G
2015-003	LATE DATA COLLECTION FORM	Current	E, F
2015-004	IT CONTRTOLS-LACK OF DISASTER RECOVERY	Current	A
2015-005	CONTROLS OVER DISBURSEMENTS	Current	B, C
2015-006	CONTROLS OVER TRAVEL AND PER DIEM EXPENSES	Current	G
2015-007	LATE AUDIT REPORT	Current	G
2015-008	APPROVAL OF JOURNAL ENTRIES	Current	B
2015-009	CONTROLS OVER GRANT DRAWDOWNS	Current	B, E
2015-010	SAS 115 MATERIAL ADJUSTMENTS BY AUDITOR	Current	A, D
2015-011	INSUFFICIENT AUDIT EVIDENCE	Current	A, E, F
2015-012	FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFAFTA) REPORTING REQUIREMENTS	Current	E, F
2015-013	EQUIPMENT MANAGEMENT	Current	E, F
2015-014	SUSPENSION & DEBARMENT EXCEPTION	Current	E
2015-015	GRANT AND SUBRECIPIENT MONITORING	Current	E, F
2015-016	PRE-AWARD COST ELIGIBILITY	Current	E, F
2015-017	MAINTENANCE OF GRANT FILES	Current	E, F
2015-018	PRIOR YEAR REVERSION NOT MADE TIMELY	Current	G

* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Other Matters Involving Internal Control Over Financial Reporting
- D.** Material Weakness in Internal Control Over Compliance of Federal Awards
- E.** Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F.** Instance of Noncompliance to Federal Awards
- G.** Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

PRIOR YEAR FINDINGS

2014-001—INTERNAL CONTROLS OVER CASH RECEIPTS

Type of Finding: C, G

Statement of Condition

During the audit, no controls were identified to ensure documentation of when a check was received in the mail. As a result, we were unable to determine if checks deposited were made timely.

Agency Progress

The status of the finding remains unchanged from the prior year.

Criteria

Per Section 6-10-3, NMSA 1978, all public money in the custody or under the control of any Department obtained or received by any official or Department from any source state agencies must deposit it before the close of the next succeeding business day after the receipt of the money and to deliver or remit it to the state treasurer.

Internal controls have to be implemented and be adequate to mitigate the risks associated with the collection and deposit of cash.

Cause

Due to turnover during the fiscal year, the checks were not kept in a mail receipt log.

Effect

Untimely deposits may cause the Department to be at risk of misappropriations of funds. Also, the lack of adequate internal controls over current cash deposit processes increases the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner.

Recommendation

We recommend that the Department implement controls and develop accounting policies requiring adequate controls to ensure monies are deposited by the close of the next business day and that deposit logs are properly signed off on.

Management Response

New Mexico Department of Homeland Security and Emergency Managements Department currently has tasked the mail room with checking in all mail as incoming. We have also taken steps to create an additional process within the Accounts Receivable Department to log in every check/warrant that comes into the Agency to insure that deposits are consistently made timely and within DFA requirements.

Corrective Action Plan Timeline:

Corrective action is estimated to be implemented no later than December 31, 2016.

Designation Of Employee Position Responsible For Meeting Deadline:

The responsible officials of the Accounts Receivable Department

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

CURRENT YEAR FINDINGS

2015-001–LACK OF CASH RECONCILIATION PROCESS

Type of Finding: A, G

Statement of Condition

The Department does not perform timely reconciliations for amounts held at the State Treasury Office (STO). Auditors were unable to obtain documentation supporting the implementation and effectiveness of the reconciliation process for these amounts.

Criteria

The NMSA 2.20.5.8 Accounting by Governmental entities, Responsibility for accounting function requires that cash account records are reconciled timely each month to the division’s reports and to the state treasurer’s reports. Effective internal controls and procedures require timely and accurate reconciliation to ensure cash transactions completely and accurately recorded in general ledger.

Effect

The Department was not in compliance with the NM State statute. There is an increased risk that errors or fraud can go undetected.

Cause

Management stated that The State Treasury Office and NM Department of Finance and Administration carries out the cash reconciliation function for amounts held at the State Treasury Office and that state agencies are not required to perform cash reconciliation. Management confirmed that Department does not perform cash reconciliation procedure.

Recommendation

We recommend the Department implement policies and procedures regarding cash reconciliation. Reconciliations quickly identify errors and needed corrections. If reconciliations are not performed frequently, errors and adjustments may go undetected, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end. We also recommend that the Department work with DFA and STO to ensure that implemented internal controls are working properly and are effective.

Management Response

DHSEM questions the severity and validity of the auditor’s findings.

With respect to Finding 2015-001, while DHSEM agrees that internal controls over cash reconciliations could be improved, DHSEM questions the opinion that this issue rises to the level of either a material weakness or significant deficiency in internal control over financial reporting.

With respect to Finding 2015-001, DHSEM agrees that it is the responsibility of the Department CFO to ensure that cash accounts are reconciled pursuant to 2.20.5.8(C)(4) NMAC. However, it the responsibility of DFA to set policy and procedure for the Department pursuant to other provisions contained generally and elsewhere in 2.20.5.8 NMAC.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Management recognizes there was no proof that cash reconciliations were done in FY2015. In FY2016, the department recognized the need for two accounting positions, one for the Grant Management Unit and another for the Financial Services Unit. In April of 2016, DHSEM hired the Grants Management Unit's Accountant and Auditor position. A cash reconciliation process was implemented at the grant level, and is now completed on a monthly basis. In November of 2016, the Financial Services Unit's Accountant and Auditor position was filled. This individual is responsible for reconciling cash monthly and in accordance with DFA's policies and procedures.

Corrective Action Plan Timeline:

Corrective action is estimated to be implemented no later than December 31, 2016.

Designation Of Employee Position Responsible For Meeting Deadline:

The Accountant and Auditor positions, Financial Services and Grants Management Unit Managers and the Administrative Services Bureau Chief/ Chief Financial Officer are responsible for this corrective action.

2015-002-CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY

Type of Finding: B, G

Statement of Condition

The Department did not conduct an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars or more as of June 30, 2015 as required by State Statute.

Criteria

12-6-10(A) NMSA Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by the top governing official of the agency.

Effect

The inventory and monitoring of capital assets must be maintained otherwise capital assets may go missing by theft or misplacement.

Cause

The Department did not have sufficient staff to adequately perform this function.

Recommendation

We recommend the Department's physical inventory of capital assets contain a certification that the inventory is correct and that it be signed by the top governing official of the Department.

We also recommend, although it is not required by state statute, that items under \$5,000 to an amount of approximately \$500 be inventoried and certified along the same lines as what NMAC 2.20.1.16 requires to ensure the safeguarding of important capital assets such as computers, cameras and other valuable assets.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Management Response

DHSEM questions the severity and validity of the auditor's findings.

With respect to Finding 2015-002, while DHSEM does not contest that the Department did not conduct an annual physical inventory of its physical assets, DHSEM questions the opinion that this issue rises to the level of a significant deficiency in internal control over financial reporting.

With respect to Finding 2015-002, DHSEM does not contest that it is the responsibility of the Department to ensure that a physical inventory of fixed assets over \$5,000 is conducted. However, this responsibility derives from 12-6-10(A) NMSA, not 2.20.1.16 NMAC as indicated in the finding. The apparent current version of 2.20.1.16(G) NMAC cited by the auditor lists an incorrect fixed asset dollar value of \$1,000.

Management was unable to locate evidence of an annual physical inventory of it capital assets being completed in FY2015.

In June of 2016, the department was able to track down a list of its capital assets and a physical audit was conducted. To ensure the department is in compliance with both state and federal requirements, the General Services Unit Manager and Information Technology Unit staff are in the process of drafting a department policies to include procedures and processes, as well as conducting a full audit of the department's asset database.

Corrective Action Plan Timeline:

Corrective action is estimated to be implemented no later than June 30, 2017.

Designation Of Employee Position Responsible For Meeting Deadline:

The General Services Unit Manager, Information Technology Unit staff and Administrative Services Bureau Chief/Chief Financial Officer are responsible for this corrective action.

Auditor's Response to Management's Response

We have updated the reference under "Criteria" to 12-6-10(A) NMSA.

2015-003—LATE DATA COLLECTION FORM

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security

Title: All programs

CFDA #: All awards

Award #: All awards

Award Period: All periods

Estimated Questioned Costs: N/A

Statement of Condition

The Department has yet to submit the Data Collection Form as required by OMB Circular A-133. The form is due no more than 9 months after the close of the fiscal year under audit.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Criteria

OMB Circular A-133 §_320(a) requires that the audit be completed and the data collection form and reporting package be submitted by the earlier date of either 30 days after the receipt of the auditor's report(s), or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight Department for audit.

Effect

The Department is not in compliance with Federal award requirements and could jeopardize future federal funding.

Cause

The Department was unable to submit the June 30, 2015 Data Collection Form and reporting package on a timely basis as the Department's turnover contributed to difficulties in preparing required audit documents in a timely manner.

Questioned Costs

None

Recommendation

The Department should implement controls to ensure that all future audit reports and data collection forms are completed in a timely manner.

Management Response

DHSEM questions the severity of the auditor's findings.

With respect to Finding 2015-003, while DHSEM does not contest that is required to submit a data collection form, DHSEM questions the opinion that this issue rises to the level of a significant deficiency in internal control over compliance with federal awards.

Due to the lateness of the FY2015 Annual Audit, management was unable to comply with OMB Circular A-133, Section 320(a). The data collection form is expected to be submitted within 30 days of the release of the FY2015 audit report and all other subsequent audit reports.

Corrective Action Plan Timeline:

The corrective action will occur no later than 30 days after the submission of each annual audit report.

Designation Of Employee Position Responsible For Meeting Deadline:

The Financial Accountant and Auditor, Financial Services Unit Manager and Administrative Services Bureau Chief/Chief Financial Officer are responsible for corrective action.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

2015-004—IT CONTROLS-LACK OF DISASTER RECOVERY

Type of Finding: A

Statement of Condition

Per our review of IT Controls, the following were identified as areas where controls should be improved.

1. There is not a complete off-site storage for backup data.
2. The Department's contingency plan for alternative processing in the event of loss or interruption of the IT function needs to be up-to-date based on changes to its systems.
3. A functional disaster recovery plan has not been developed.

It was determined that important tracking of projects and data outside of the SHARE program is at risk due to the lack of the IT controls and lack of disaster recovery plan.

Criteria

IT controls are an essential part of an organization's overall internal control. It is good accounting practice to ensure that strong IT general controls are in place to prevent damage or compromise of assets, interruption of business activities and unauthorized access to systems.

Additionally, GAO's Definition of IT General Controls (only partially identified here) are as follows: Entity-wide security program planning, management, control over data center operations, system software acquisition and maintenance, access security, and application system development and maintenance. More specifically,

- Data center and client-server operations controls include backup and recovery procedures and contingency and disaster planning. In addition, data center operations controls also include job set-up and scheduling procedures and controls over operator activities.

Effect

Areas related to IT may be at risk such as:

- Assets may be compromised
and
- Interruption of program/mission activities

Cause

The Department has not developed and implemented the IT controls identified under the statement of condition.

Recommendation

We recommend that controls be implemented as identified for the areas identified in the statement of condition shown above to mitigate risks to the Department.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY& EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Management Response

DHSEM objects to the auditors finding.

With respect to Finding 2015-004, DHSEM contests the opinion that this issue rises to the level of either a material weakness, significant deficiency, or other matter involving internal control over financial reporting.

The auditor cites no accounting, audit or legal authority to support this finding. The auditor has articulated no demonstrable expertise in information technology (IT) that would support any audit opinion as it relates to this issue.

It is unclear as to what systems and information needs to be backed-up.

The New Mexico Department of Information Technology is responsible for developing and maintaining a statewide Information Technology (IT) Security Program that includes an IT disaster recovery plan. All financial information and information pertaining to Human Resources (i.e. SHARE) is currently being backed up off-site. Disaster recovery is in place for both production and real time environments such that a down system would fail over with only a one minute lost. Full backups are performed weekly, incremental backups are performed daily. Backup media is disc utilizing Oracle's RMAN tool. Disaster recovery actions are fully documented in detail.

Corrective Action Plan Timeline:

Without more information on what systems and information needs to be backed-up, the department is unable to set a date of completion for corrective action implementation.

Designation Of Employee Position Responsible For Meeting Deadline:

Without more information on what systems and information needs to be backed-up, the department is unable to assign a responsible party for corrective action implementation.

Auditor's Response to Management's Response

The auditor believes the finding is valid. The Department maintains many crucial program procedures, the tracking of milestones and other important financial and programmatic information in spreadsheets and in computers that do not appear to be adequately backed up. The auditor has added the GAO definition of IT general controls to its "Criteria" section.

2015-005—CONTROLS OVER DISBURSEMENTS

Type of Finding: B, C

Statement of Condition

During testing of transactions, the following control deficiencies were noted:

- For 24 of the 40 random disbursement transactions tested, totaling \$258,712, the purchase order was not attached to the disbursement packet.
- For 5 of the 20 significant disbursement transactions tested, totaling \$6,862,370, the purchase order was not attached to the disbursement packet.

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- For 3 of the 40 random disbursement transactions tested, no supporting documentation was provided. The missing voucher numbers were as follows: 20290, 21232, and 21518.
- For 2 of the 20 significant disbursement transactions tested, there was not a payment approval form.

Alternative procedures were performed to determine if the disbursement was valid and proper.

Criteria

State of New Mexico Manual of Model Accounting Practices Unit 1.02, Department policies and procedures and good accounting practices require that transactions be properly documented and authorized. Strong internal controls require that disbursement approval controls are in place to deter and detect fraud.

Effect

The Department is at a higher risk of financial reporting errors occurring or possible fraudulent transactions.

Cause

Lapses in the implementation of internal control process and/or a weakness in internal control procedures appear to have allowed these disbursements without documented approval to occur.

Recommendation

Policies regarding documentation retention should be reviewed and adhered to.

Management Response

DHSEM contests the auditor's findings.

With respect to Finding 2015-005, DHSEM contests the opinion that this issue rises to the level of a significant deficiency or other matter involving internal control over financial reporting.

In response to the first and second bullets noting control deficiencies: all payments to vendors provided to the auditor contained some form of supporting documentation. All significant disbursements and random disbursements contained the appropriate purchase order; however, the purchase order was not printed and attached to the disbursement packet. Purchase orders and maintained electronically within the SHARE accounts payable module and reproduced upon request. The Department has adopted a process to include a copy of the purchase order in the payment voucher packet, if a purchase order exists.

The missing voucher numbers 20290, 21232, and 21518, mentioned in the third bullet of control deficiencies, are not valid voucher numbers. The missing vouchers could have been utilized and then cancelled; however, there were no payments to vendors associated with these voucher numbers. A random number selection process employed by the auditor selected these three vouchers number for testing over a range of voucher numbers that was based on the first and last voucher number of the fiscal year.

In regard to the fourth bullet of control deficiencies, management recognizes the need to ensure payment approval prior to processing payment for invoices, although a payment approval form is

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not necessary for all payments. For example, sub-grant reimbursement requests are submitted by sub-grantees on a department approved that requires signatures from the Sub-grant Analyst and Grant Management unit Manager in order for payment to be processed. However, an invoice for goods does not have a standard form, but does require the signature of the employee who received the goods, indicated the invoice is "Okay to Pay". Each invoice is reviewed prior to payment and authorization to pay must accompany each invoice.

Finding resolved timeline:

The resolution has been or already is in place.

Designated of employee position responsible for meeting this deadline:

The Financial Services Unit Staff are responsible for ensuring all payments voucher packets include a copy of the purchase order.

Auditor's Response to Management's Response

The auditor believes the finding is valid. Management had several months to clarify voucher numbers cited in this finding and did not bring any discrepancy to our attention.

2015-006-CONTROLS OVER TRAVEL AND PER DIEM EXPENSES

Type of Finding: G

Statement of Condition

During our test work over travel and per diem expenditures, we noted the Department did not maintain in writing the approval of reimbursements over \$1,500 singly or in the aggregate, in any one year for 5 out of 10 items tested for a total of \$731.33.

Criteria

Per section 10-8-5(1) NMSA 1978 a state employee may not be reimbursed more than \$1,500, singly or in the aggregate, in any one year "until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel." Per 2.42.2.7 (L), "Travel" means: for per diem purposes, being on official business away from home and at least 35 miles from the designated post of duty of the public officer or employee.

Effect

The Department is not in compliance with state statute.

Cause

The review and approval process for per diem and travel expenditures did not appear to be consistent, the Department was not ensuring all supporting documentation was obtained, approved and in compliance with state statute prior to submission to DFA.

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Recommendation

For such a high error rate the Department should ensure written approval by the department head or, in the case of a department head, the governor prior to authorizing reimbursement of \$1,500 or more singly or in the aggregate, in any one year.

Management Response

DHSEM does not contest the auditor's finding.

With respect to Finding 2015-006, DHSEM does not contest the finding.

Although 10-8-5(i), NMSA 1978 does not explicitly require written approval of reimbursements over \$1,500, singly or in the aggregate. It does however require "any person who is not an employee, appointee or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel".

Finding resolved timeline:

There is no need for a timeline as the authority cited does not require approval.

Designated of employee position responsible for meeting this deadline:

There is no need to assign a person responsible as the authority cited does not require approval.

2015-007-LATE AUDIT REPORT

Type of Finding: G

Statement of Condition

The audit report for the Department's fiscal year ended June 30, 2015 was not submitted by the December 1, 2015 due date. The audit report was submitted November 17, 2016.

Criteria

OSA Rule 2.2.2.10.I.(4) establishes a due date of December 1, 2015 for submission of this audit report to the Office of the State Auditor.

Effect

The report was not submitted as required. Without the audit report being delivered on time, fund and regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.

Cause

The reason for the late report was related to the Department having significant changes in staff during the audit. The loss of staff resulted in a delay in the completion of the audit.

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Recommendation

We recommend the Department determine its staffing needs to ensure on-time completion of the annual audit.

Management Response

DHSEM does not contest the finding.

With respect to Finding 2015-007, DHSEM does not contest the finding.

The Department's Chief Financial Officer was unable to sign the audit readiness letter until early calendar year 2016. Additional delays are attributed to the auditor's requests for more documentation for sampling, explanations of grants and processes and reclassifying transactions.

Finding resolved timeline:

The department is currently working with the auditor to complete the 2015 audit. It is estimated the fiscal year 2015 audit will be submitted by December 1, 2016 or earlier.

Designated of employee position responsible for meeting this deadline:

The Cabinet Secretary and Administrative Services Bureau Chief/Chief Financial Officer are responsible for corrective action.

2015-008-APPROVAL OF JOURNAL ENTRIES

Type of Finding: B

Statement of Condition

For 7 of the 14 journal entries tested, totaling \$2,014,648, there is no evidence that the journal entry was approved by someone other than the preparer.

Criteria

Good internal controls require that journal entries include documentation of who prepared the adjustment, the purpose of the adjustment and that it be reviewed and signed off by a responsible official not involved in the journal entry preparation or posting, as they can significantly affect the financial statements.

Effect

Unnecessary or incorrect journal entries could be entered into the system and go undetected.

Cause

Journal entry forms have not been designed to include a preparer line nor a reviewer line.

Recommendation

We recommend that the supporting documentation for journal entries be designed to include a "reviewed by" line. It is important that the reviewer of the journal entry be a member of upper management. In addition, it is important that the reviewer review the relationship between the accounts that are being adjusted and verify that the accounts are expected to go together. Example, revenue and receivables go together but revenue and equipment rarely go together unless you received an in-kind contribution of equipment.

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Management Response

DHSEM questions the severity of the auditor's finding.

With respect to Finding 2015-008, while DHSEM does not contest that internal controls over journal entries could be improved, DHSEM questions the opinion that this issue rises to the level of a significant deficiency in internal control over financial reporting.

Management recognizes processes in FY2015 may not have included management review. The current process requires signatures of the preparer of the journal entry and the approver the journal entry on the first page of each journal entry. The preparer and approvers' names are logged in SHARE and are available upon request. The New Mexico Department of Finance and Administration ultimately approves the journal entry.

Finding resolved timeline:

This corrective action is currently in place.

Designated of employee position responsible for meeting this deadline:

The two Accountant and Auditor positions, Financial Services Unit Manager and Administrative Services Bureau Chief and Chief Financial Officer are responsible for corrective action.

The statement of condition articulated by the auditor unfairly describes the disbursement systems and controls in place at DHSEM.

2015-009-CONTROLS OVER GRANT DRAW DOWNS

Type of Finding: B, E

Funding Agency: All agencies

Title: All programs

CFDA #: All awards

Award #: All awards

Award Period: All periods

Estimated Questioned Costs: N/A

Statement of Condition

In 6 out of the 12 drawdowns, relating to the major program, and in 9 out of the 15 drawdowns, relating to other federal awards, the revenue deposit form was missing approval signatures. The form requires signatures from the Grant Unit Manager, ASB Chief, and the Budget Director.

Criteria

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., the Department's management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Per OMB Circular A-133, the Department shall implement a process designed to provide reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and federal reports, maintain accountability over assets and demonstrate compliance with laws, regulations and other compliance requirements.

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Cause

The Department experienced turnover and as a result, procedures were not properly managed or followed.

Effect

There is an increased risk of misstatement due to fraud or error.

Recommendation

The Department should ensure the revenue deposit form is completed and maintained with grant drawdown support.

Management Response

DHSEM questions the severity of the auditor's findings.

With respect to Finding 2015-009, while DHSEM agrees that internal controls over grant drawdowns could be improved, we do not share the opinion that this issue rises to the level of a significant deficiency in internal control over financial reporting.

With respect to Finding 2015-009, while DHSEM agrees that internal controls over grant drawdowns could be improved, we do not share the opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal award.

During the FY2015 Annual Audit support for drawdowns and revenue deposit forms were difficult to locate. Some forms may have been approved but could not be located. Management has developed a new process to ensure revenues and expenditures support each draw and the documentation is filed consistently and timely to preserve an appropriate audit trail.

Finding resolved timeline:

The corrective action has already taken place.

Designated of employee position responsible for meeting this deadline:

The Grants and Financial Accountant and Auditors, Grants Management Unit Manager, Financial Services Unit and the Administrative Services Bureau Chief/ Chief Financial Officer are responsible for corrective action.

2015-010—SAS 115 MATERIAL ADJUSTMENTS BY AUDITOR

Type of Finding: A, D

Funding Agency: All agencies

Title: All programs

CFDA #: All awards

Award #: All awards

Award Period: All periods

Estimated Questioned Costs: N/A

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Statement of Condition

According to Statement on Auditing Standards 115 (SAS 115) identification by the auditor of a material misstatement of the financial statements under audit, in circumstances that indicate that the misstatement would not have been detected by the entity's internal control, is considered a material weakness.

Specifically, in 2015, the auditor identified material adjustments to;

- Accounts payable – understated by approximately \$1,500,000
- “Grants to subrecipients” expense – understated approximately \$1,500,000
- Grants receivable – understated by approximately \$1,500,000
- Federal grant revenue – understated by approximately \$1,500,000
- Amounts that effect reversion, fund balance and federal grants by approximately \$578,000

Additionally, the Schedule of Expenditures of Federal Awards was understated by approximately \$1,500,000.

Criteria

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to “Statement On Auditing Standards (SAS) 115 Communication of Internal Control Related Matters Identified in an Audit”. The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

Recording adjustments is considered a significant process of internal control and should be performed by Department staff.

Effect

An internal control weakness in maintaining the general ledger exists because material adjustments were identified by the auditor and not by Department staff. This significantly increases the potential for misstated financial statements.

Cause

The Department's personnel and internal control procedures were not effective in identifying and correcting material errors to the general ledger that would have resulted in material misstatement of the financial statements had they not been identified by the auditor.

Recommendation

We recommend that the Department make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are

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needed is not considered a control deficiency as long as the staff of the Department initiates/makes the adjustment and understands how and why the adjustments were made.

Management Response

DHSEM does not contest the validity of the auditor's findings.

The department recognized the last step for processing prior year bills was missed and has since been corrected.

In early FY2016, the department CFO identified Requests for Reimbursement from sub-grantees for prior year expenditures as Payments of Prior Year Expenditures, according to the Department of Finance and Administration's (DFA) policy FIN 4.2.D.2 "To request written approval for payment of prior year obligations that were not encumbered or paid in the appropriate fiscal year, state agencies must submit the Request for Approval to Pay Prior Bills form and the justification form to FCD. The payment of prior year bills with federal or other state funds also requires approval to pay prior year bills unless a policy exemption is obtained from FCD." Upon receiving approval to pay prior year expenditures, the Department processed the Requests for Payment according to DFA's policy FIN 4.2.D.7. Approved Requests to Pay Prior Year Bills (RTPPY) must use account 547999 – Miscellaneous Expense on the voucher regardless of the type of service provided.

Both the department and the auditor had asked DFA what the proper process was to address this issue. DFA explained to both the department and the auditor that an audit entry should be done to create a liability in FY2016. The department has prepared these entries and will continue to do so in years to come.

Finding resolved timeline:

This finding has already been resolved by the department.

Designated of employee position responsible for meeting this deadline:

The positions responsible for meeting this deadline are the Financial Accountant and Auditor, Financial Services Unit Manager and the Administrative Services Bureau Chief/Chief Financial Officer.

2015-011–INSUFFICIENT AUDIT EVIDENCE

Type of Finding: A, E, F

Funding Agency: U.S. Department of Homeland Security

Title: All programs with sub grantees

CFDA #: 97.036, 97.042, 97.047, 97.023, 97.045, 97067, 20.703

Award #: All sub grant awards identified in the notes to the schedule of federal awards

Award Period: All periods

Estimated Questioned Costs: Unknown

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Statement of Condition

During our audit, we were unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole, are free from material misstatement. The following are key areas in which audit evidence was deemed insufficient:

- Confirmation of sub-grantee payables
- Inaccurate deliverables related to:
 - accounts payables and sub-grantee payables,
 - correspondence with any federal and state agencies related to compliance

Although we eventually received updated balances for accounts payables and sub-grantee payables, we were unable to adequately test and confirm the sub-grantee payables and the timeliness of payments, which was determined to be a necessary audit procedure. If sub-grantee payables are inaccurate, it is possible that grant receivables, revenue and expenditures as well as the Schedule of Expenditures of Federal Awards would be inaccurate as well.

As for correspondence with federal and state agencies, management responded that there was no correspondence from regulatory type agencies, which we have documented. After we questioned this response, we eventually obtained FEMA 2015 and 2016 monitoring reports from management. However, we made aware of additional correspondence received from third parties, that management did not disclose or provide to the auditors. Therefore, there is a concern that we may not have received significant correspondence that could materially affect the financial statements and compliance over federal programs.

Lastly, per our conversations with the Cabinet Secretary, it was brought to our attention that since the Department's creation by statute in 2007, indirect and shared costs may have been incorrectly allocated throughout its existence. Although this information has not been substantiated with the Department's cognizant agency, the determination on how this affects the financials for the year ended June 30, 2015 is unknown.

The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements. Accordingly, the auditor's report contains a disclaimer of opinion.

Criteria

AU-C Section 705 Modifications to the Opinion in the Independent Auditor's Report addresses the auditor's responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with section 700, *Forming an Opinion and Reporting on Financial Statement*.

Cause

The Department has undergone significant turnover since the inception of the organization which in turn has caused the Department to lack institutional knowledge as well as implementing proper procedures.

Effect

The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial statements.

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Recommendation

We recommend the Department provide accurate and timely information to its auditors.

Management Response

DHSEM objects to the auditor's findings.

With respect to Finding 2015-011, DHSEM contests that the auditor was unable to obtain sufficient audit evidence leading to either a material weakness, significant deficiency, or other internal control over financial reporting.

With respect to Finding 2015-011, DHSEM contests that the auditor was unable to obtain sufficient audit evidence leading to either a significant deficiency or other internal control over compliance if federal awards.

The department did provide accurate and timely information to its auditors.

In response to accounts payable and sub-grants payables:

Upon receipt inception of the FY2015 audit, the auditor was provided a list of the department's FY2015 payable and was provided samples upon request.

In July 2016, the department reached out to Department of Finance and Administration, and was given direction on how its Prior Year Bills Paid with Current Year Budget should have been processed. The department submitted its corrections to the auditor on September 9, 2016. No more samples were requested of the department after this was done.

In response to correspondence with any federal and state agencies related to compliance:

On September 13, 2016, the auditor requested additionally information; a list of Recovery sub-grantees and "correspondence with federal officials, DFA officials or other regulators". On September 14, 2016, the department provided the auditor with a list of Recovery sub-grantees and the 2015 and 2016 Monitoring Visit result letters. Since the department is in constant communication with "federal officials, DFA officials or other regulators", the department requested clarification from the auditor in regard to the correspondence they were requesting as the initial request was broad. The department never received clarification from the auditor, nor did the auditors request a note "related to compliance".

Lastly, the Cabinet Secretary adamantly denies having any conversations with the auditor regarding indirect and shared costs being allocated incorrectly. That issue is "unsubstantiated" following two FEMA monitoring visits because that issue is fictitious.

Finding resolved timeline:

Since the department does not consider this a finding and disagrees with the auditor, it will not set a timeline.

Designated of employee position responsible for meeting this deadline:

There is no timeline to meet.

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Auditor's Response to Management's Response

The auditor believes the finding is valid. In addition, the signed management representation letter received from the Department was significantly altered from what the auditors originally sent them. The management representation letter template sent to the Department contained 72 items, the signed management representation letter we received was altered and only provided 16 items. NMDHSEM omitted approximately 61 items which included most of the items related to the single audit and compliance of expenditures of federal funds. The lack of management representations require the additional reason to disclaim because of insufficient audit evidence as the lack of representation as referenced in AU-C 580.25b.

2015-012-FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFAFTA) REPORTING REQUIREMENTS

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security

Title: All programs with subgrantees

CFDA #: 97.036, 97.042, 97.047, 97.023, 97.045, 97067, 20.703

Award #: All subgrant awards identified in the notes to the schedule of federal awards

Award Period: All periods

Estimated Questioned Costs: None

Statement of Condition

The Department did not report financial information in accordance with Federal Funding Accountability and Transparency Act reporting requirements, increasing the risk that the public will not have access to transparent, accurate information regarding expenditures of federal awards

Criteria

The Federal Emergency Management Agency (FEMA) requires the New Mexico Department of Homeland Security and Emergency Management (NMDHSEM) comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

In accordance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L. 109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), it is the responsibility of the grantee to report all cooperators, contractors, and subrecipients receiving awards of more than \$25,000 starting in fiscal year 2010. In order to meet this requirement, the grantee must enter subawards into the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS). To achieve compliance, NMDHSEM must enter into FSRS all subawards over \$25,000 for fiscal years 2011 through the current fiscal year in the FFATA Subaward Reporting System (FSRS) (<http://www.fsrs.gov>) not later than the end of the month following the month in which the obligation was made.

Cause

The Department may not have been aware of the reporting requirement.

Effect

Failure to implement adequate controls over FFATA reporting increases the risk of late or nonsubmission of subaward information.

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Recommendation

We recommend the Department develop a policies and procedures, which includes meeting the requirements identified under the “Criteria” section of this finding.

Management Response

DHSEM questions the validity of the auditor’s findings.

With respect to Finding 2015-012, DHSEM agrees that it is the responsibility of the Department to adhere to Federal Funding Accountability and Transparency Act (FFATA) Reporting Requirements, the Department does not share the opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal awards.

With respect to Finding 2015-012, DHSEM was already aware of and agrees with the FEMA Recommendation.

This was a recommendation noted in the FEMA Region VI 2015 and 2016 Monitoring Visit Results letter, and is not a result from the FY2015 Audit as this was not an item tested by the auditing firm. FFATA reporting became a requirement in 2010. In July of 2016, the department hired temp help to enter sub-grant information from 2010-2016. The task is not yet complete, but the department is committed to this project and has a deadline of completion of June 30, 2017.

FEMA Region VI’s Recommendation:

“Recommendation 8: NMDHSEM should develop a policy and procedure, which includes identification of the individuals responsible for setting up accounts in FSRS and reporting requirements for subawards. Technical assistance from FEMA is available for both policy development and implementation of this requirement.”

DHSEM’s Response to the 2016 FEMA Region VI Monitoring Visit letter:

“NMDHSEM will develop of policy and procedure, which includes identification of the individuals responsible for setting up accounts in FSRS and reporting requirements for sub-awards. The department would like to report that it has started its efforts to enter FFATA reporting. Both the policy and procedures, and the actual reporting should be complete by June 30, 2017.”

Finding resolved timeline:

As mentioned above, the timeline to resolve the recommendation from FEMA Region VI is July 30, 2017.

Designated of employee position responsible for meeting this deadline:

The Grant Management Unit Manager, Administrative Services Bureau Chief/ Chief Financial Officer, Deputy Secretary/ General Counsel and the Cabinet Secretary are responsible for meeting the June 30, 2017 deadline. All Sub-grant Analysts and the Grants Management Unit Manager are responsible for ensuring compliance of all sub-grants issued by the department beginning July 1, 2016.

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2015-013—EQUIPMENT MANAGEMENT

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security
Title: All programs
CFDA #: All
Award #: All
Award Period: All periods
Estimated Questioned Costs: None

Statement of Condition

The Department does not have a formal policy and procedure for equipment and property as required by 44 CFR §13.32(b, which includes listing property and equipment to include the identification of the federal program from which the equipment was funded.

Criteria

The Federal Emergency Management Agency (FEMA) requires the New Mexico Department of Homeland Security and Emergency Management (NMDHSEM) to comply with 44 CFR §13.32(b, which requires a of listing property and equipment to include the identification of the federal program from which the equipment was funded.

Cause

The Department has not implemented integrated internal controls required by the federal government related to its federal programs.

Effect

The Department has not implemented adequate controls over its property and equipment and may not be able to identify the proper funding source from which an item was purchased, depreciated and ultimately disposed.

Recommendation

We recommend the Department develop a policies and procedures, which includes meeting the requirements identified under the “Criteria” section of this finding.

DHSEM questions the validity of the auditor’s findings.

With respect to Finding 2015-013, DHSEM agrees that it is the responsibility of the Department to update and implement policies and procedures for the use, management, and disposition of equipment acquired under a federal grant, however the Department does not share the opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal awards.

With respect to Finding 2015-013, DHSEM was already aware of and agrees with the FEMA Recommendation.

This was a recommendation noted in the FEMA Region VI 2015 and 2016 Monitoring Visit Results letter, and is not a result from the FY2015 Audit as this was not an item tested by the auditing firm.

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FEMA Region VI's Recommendation:

"Recommendation 7: NMDHSEM should update and implement policies and procedures for the use, management, and disposition of equipment acquired under a grant by the State in accordance with State laws and requirements found in 44 CFR §13.32(b).

Property control should enable the State to provide a list of all Federally-funded equipment showing the program through which it was funded."

DHSEM's Response to the 2016 FEMA Region VI Monitoring Visit letter:

"NMDHSEM is reviewing its draft policies and procedures for the use, management, and disposition of equipment acquired under a grant by the State, to ensure it is in accordance with State laws and requirements found in 44 CFR §13.32(b) and 2 CFR 200.313. The estimated time of completion is June 30, 2017."

As FEMA Region VI notes in their letter, "there is, however, a NMDHSEM draft policy on Property Control that, once implemented, will meet federal requirements". The department will continue its efforts to complete and execute this policy and procedure.

Finding resolved timeline:

As mentioned above, the timeline to resolve the recommendation from FEMA Region VI is July 30, 2017.

Designated of employee position responsible for meeting this deadline:

Information Technology Unit staff, General Services Unit Manager, Grant Management Unit Manager, Administrative Services Bureau Chief/ Chief Financial Officer, Deputy Secretary/ General Counsel and the Cabinet Secretary are responsible for meeting the June 30, 2017 deadline.

2015-014 – SUSPENSION & DEBARMENT EXCEPTION

Type of Finding: E

Funding Agency: U.S. Department of Homeland Security

Title: All programs

CFDA #: All

Award #: All

Award Period: All periods

Estimated Questioned Costs: None

Statement of Condition

During our understanding of internal controls over federal funds, we noted that the Department had not always performed procedures to verify federal funds were not being awarded to suspended or debarred parties.

Criteria

As required by 44 CFR §13.35, as well as OMB Cost Circular A-102 which states: "Debarment and Suspension. Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Non-procurement programs to assure

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that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/ or dissemination of the list to assure that their grantees and sub-grantees (including contractors) at any tier do not make awards in violation of the non-procurement debarment and suspension common rule."

Effect

The Department could unknowingly award federal assistance to applicants that are ineligible for participation in their programs, causing noncompliance with the grants and potential questioned costs.

Cause

The required verification/review was not performed.

Questioned Costs

None

Recommendation

We recommend that the Department design proper policies and procedures and implement them per 44 CFR §13.35 as well as train staff and review each federal grant and federal guidance to safeguard the Department against noncompliance.

Management Response

DHSEM questions the validity of the auditor's findings.

With respect to Finding 2015-014, DHSEM recognizes that it is the responsibility of the Department to ensure that grant subawards are not made to parties which have been debarred or suspended from participation in Federal assistance programs, however the Department does not share the auditor's opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal awards.

With respect to Finding 2015-014, DHSEM was already aware of and agrees with the FEMA Recommendation.

This was a recommendation noted in the FEMA Region VI 2015 and 2016 Monitoring Visit Results letter, and is not a result from the FY2015 Audit as this was not an item tested by the auditing firm. FEMA Region VI's Recommendation:

"Recommendation 4: NMDHSEM should continue to implement its policy and/or procedure to require all NMDHSEM staff responsible for awarding grants, contracts, and other agreements with federal funds to confirm that the entity is not debarred or suspended and the steps needed to avoid making an award to such an entity. The policy should be consistently applied across all program areas and evidence of this verification should be captured in the grant files."

DHSEM's Response to the 2016 FEMA Region VI Monitoring Visit letter:

"NMDHSEM will write and approve a policy and procedure on debarred and suspended confirmation to be included in the DHSEM Financial Assistance Handbook by June 30, 2017. Currently, DHSEM staff responsible for awarding grants, contracts, and other agreements with federal funds confirms that the entity is not debarred or suspended and does not process awards to

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entities on the debarred or suspended list. Additionally, Sub-grant Analysts are required to include such confirmation in all open and recently closed grants and sub-grant files.”

As FEMA Region VI notes in their letter, “we have noted an improvement in this area. Evidence of SAM.gov verification is located in the newer grant files which demonstrate that a process has been developed and implemented to support debarment and suspension requirements.”

Finding resolved timeline:

As mentioned above, the timeline to resolve the recommendation from FEMA Region VI is June 30, 2017.

Designated of employee position responsible for meeting this deadline:

Grant and Sub-grant Analysts, Grant Management Unit Manager, Administrative Services Bureau Chief/ Chief Financial Officer, Deputy Secretary/ General Counsel and the Cabinet Secretary are responsible for meeting the June 30, 2017 deadline.

Auditor’s Response to Management’s Response

The auditor tested and confirmed this internal control compliance issue with the Grant Manager are the beginning of the audit process.

2015-015 – GRANT AND SUBRECIPIENTS MONITORING

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security

Title: All programs

CFDA #: All

Award #: All

Award Period: All periods

Estimated Questioned Costs: None

Statement of Condition

The Department is responsible for monitoring the programmatic and financial activities of its subrecipients to ensure proper stewardship of its federal grants that it has sub awarded to other organizations.

44 CFR §13.40 as well as OMB Circulars require pass-through entities like the Department to evaluate each subrecipient's risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of subrecipient organizations to ensure that the subaward is in compliance with applicable Federal statutes and regulations and terms of the subaward, and verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.

Although the Department has designed to what appears to be an adequate monitoring policy, the following areas do not appear to be properly implemented:

Per our review of the Department’s monitoring policies and procedures, the Department was able to provide evidence of documentation of performance and financial reports as well as

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documentation of on-site visits, for our sample of subrecipients tested. However, per our review of the prior 2 years of monitoring reports conducted by the U.S. Department of Homeland Security, FEMA requires the following in regards to monitoring or subrecipients.

- Consistently compare and reconcile financial and performance reports to actual performance prior to project completion for all grant subrecipients.
- Consistently completing on-site monitoring of all projects in order to validate the achievement of performance goals consistent with 44 CFR §13.40

Criteria

Subrecipient monitoring is required by 44 CFR §13.40 as well as appropriate OMB Circulars outline the essential elements of oversight such as assuring compliance with applicable federal requirements and achievement of performance goals.

Effect

The following are the effects or possible effects:

- Without the consistent implementation of a formalized subrecipient monitoring process, the Department has no way to ensure subrecipient compliance with applicable Federal requirements and established performance goals.
- the absence of periodic subrecipient monitoring throughout the lifecycle of grants may lead to undetected costs that may be improperly be charged to funding sources such as federal grants, resulting in unallowable costs.
- By not conducting consistent monitoring and validation at the subrecipient level, the Department assumes an increased risk that it will be unable to validate FEMA subrecipient performance.
- Without ongoing project validation reviews by the Department, Subrecipient project management weaknesses may not be timely identified and prevented, which may lead to wasted resources and expenditures and delayed project closures.

Cause

The Department has not effectively implemented its monitoring policies and procedures.

Questioned Costs

None

Recommendation

We recommend that the Department review its design of monitoring policies and procedures and implement them per 44 CFR §13.35 as well as train staff and review each federal grant and federal guidance to safeguard the Department against noncompliance.

Management Response

DHSEM questions the validity of the auditor's findings.

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With respect to Finding 2015-015, DHSEM recognizes that it is the responsibility of the Department to monitor grant subrecipients, however the Department does not share the auditor's opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal awards.

With respect to Finding 2015-015, DHSEM was already aware of and agrees with the FEMA Recommendation.

This was a recommendation noted in the FEMA Region VI 2015 and 2016 Monitoring Visit Results letter, and is not a result from the FY2015 Audit as this was not an item tested by the auditing firm.

FEMA Region VI's Recommendation:

"Recommendation 3: NMDHSEM should implement their monitoring policy for subrecipient monitoring through a phased approach that will allow staff to identify risk through desk reviews that can inform needed site visits. NMDHSEM requested and was approved for technical assistance with this implementation as part of their scheduled Grant Management Technical Assistance delivery in July of 2016."

DHSEM's Response to the 2016 FEMA Region VI Monitoring Visit letter:

"During the July 2016 FEMA Technical Assistance, it was identified that program currently completes a Quarterly Programmatic Monitoring Report for all site visits. Beginning January 1, 2017, program is required to submit a Quarterly Programmatic Monitoring Report for each site visit to the Administrative Services Bureau to be placed in the sub-grant file. It has also been recommended by both FEMA R6 and FEMA Technical Assistance that a Quarterly Financial Monitoring Report be implemented to track monitoring. NMDHSEM will have a Quarterly Financial Monitoring Report form implemented by January 1, 2017. Both the Program and Financial Quarterly Monitoring Reports will address monitoring and will be used to assess risk. DHSEM will update its current policies and procedures on monitoring and risk assessment mentioned above by June 30, 2017."

Finding resolved timeline:

As mentioned above, the timeline to resolve the recommendation from FEMA Region VI is June 30, 2017.

Designated of employee position responsible for meeting this deadline:

Grant and Sub-grant Analysts, Grant Management Unit Manager, Administrative Services Bureau Chief/ Chief Financial Officer, Deputy Secretary/ General Counsel and the Cabinet Secretary are responsible for meeting the June 30, 2017 deadline.

Auditor's Response to Management's Response

The auditor tested and confirmed monitoring during the audit of major programs. We do agree that the Monitoring report identified additional sub-recipient monitoring steps such as reconciliation of sub-recipient reports to the Department's records that we did not originally identify as areas of internal control weakness, we do concur with the findings of the monitoring report.

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2015-016 – PRE-AWARD COST ELIGIBILITY

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security
Title: All programs
CFDA #: All
Award #: All
Award Period: All periods
Estimated Questioned Costs: None

Statement of Condition

Although not audited as major programs during our audit, per our review of the U.S. Department of Homeland Security June 30, 2016 Monitoring Report it was stated that:

2 hazard mitigation projects funded through 2 separate disasters have activities resulting in questioned costs. The first project is DR1936-005, City of Ferguson, the subrecipient incurred \$22,024.48 on activities that were performed/delivered before the award of the grant. In accordance with the FY2010 Hazard Mitigation Assistance (HMA) Unified Guidance, the following line items must be listed separately in the budget:

- o Pre-award cost;
- o Subapplicant management cost.

The costs incurred were not identified in the project budget as a pre-award activities. As a result, the costs are being questioned as ineligible for reimbursement.

In the second project, DR4153-0017, Nambe Pueblo Debris Flow Barrier project, the subrecipient incurred pre-award costs of \$13,875.74 with High Water Mark. In accordance with the FY2013 Hazard Mitigation Assistance (HMA) Unified Guidance³ in order to be eligible for HMA funding, pre-award costs must be identified as separate line items in the cost estimate of the subapplication.

Criteria

- Per FY 2010 Hazard Mitigation Assistance Unified Guidance Part H. Subapplication Guidance, Section H.3 the following line items must be listed separately in the budget:
 - o Pre-award cost;
 - o Subapplicant management cost.

- Per FY2013 Hazard Mitigation Assistance (HMA) Unified Guidance Part V. Section F.2, Pre-Award Costs in order to be eligible for HMA funding, pre-award costs must be identified as separate line items in the cost estimate of the subapplication.

(FEMA grant awards received after December 27, 2014, Title 2- Grants and Agreements (2 CFR §200) replaces 44 CFR §13 with respect to grant administrative requirements) ,

FY2013 Hazard Mitigation Assistance (HMA) Unified Guidance³ in order to be eligible for HMA

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funding, pre-award costs must be identified as separate line items in the cost estimate of the subapplication.

For FEMA grant awards received after December 27, 2014, Title 2- Grants and Agreements (2 CFR §200) replaces 44 CFR §13 with respect to grant administrative requirements.

FY 2010 Hazard Mitigation Assistance Unified Guidance Part H. Subapplication Guidance, Section H.3

FY2013 Hazard Mitigation Assistance (HMA) Unified Guidance Part V. Section F.2, Pre-Award Costs

Effect

Costs are being questioned as ineligible for reimbursement.

Cause

The costs incurred were not identified in the project budget as a pre-award activities.

Questioned Costs

\$35,900.52 (subsequent to fiscal year ended June 30, 2015)

Recommendation

We recommend that the Department request the subrecipients amend the necessary contracts to resolve the concerns and provide supporting documentation confirming compliance to the requirements or return questioned costs to FEMA.

Management Response

DHSEM questions the validity of the auditor's findings.

With respect to Finding 2015-016, DHSEM recognizes that it is the responsibility of the Department to monitor pre-award cost eligibility, however the Department does not share the auditor's opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal awards.

With respect to Finding 2015-016, DHSEM was already aware of and agrees with the FEMA Recommendation.

This was a recommendation noted in the FEMA Region VI 2016 Monitoring Visit Result letter, and is not a result from the FY2015 Audit as this was not an item tested by the auditing firm.

FEMA Region VI's Recommendation:

"Recommendation 2: NMDHSEM should request that the subrecipients amend the necessary contracts to resolve the concerns and provide supporting documentation confirming compliance to the requirements or return questioned costs to FEMA."

DHSEM's Response to the 2016 FEMA Region VI Monitoring Visit letter:

"DHSEM agreed that the \$22,024.48 is all pre-award costs (\$21,257.63 from HDR and \$776.85

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from Animas Environmental Services) for the City of Farmington Porter Arroyo Project (not “Ferguson”), and the sub-grant agreement budget allows for pre-award cost. This is not a questions cost, as the budget shows all activities labeled as “pre-award”, as the City of Farmington was not clear that the pre-award costs related to any costs incurred prior to April 25, 2012 (the date that the Phase 1 award was made). The Mitigation program has since been advising Sub-grantees to consider ‘pre-ward’ costs for a phased project as ‘prior to the initial Phase 1 award’ and to consider phase 2 as ‘implementation’.

NMDHSEM requested that Nambe Pueblo submit a revised budget showing the words “pre-award” in the line item worded “Project eligibility compliance and application”. The Pueblo did submit a revised budget and it was provided to FEMA during the Monitoring Visit.”

Finding resolved timeline:

This recommendation has already been resolved.

Designated of employee position responsible for meeting this deadline:

The Hazard Mitigation Manager was responsible for addressing this recommendation.

2015-017 – MAINTENANCE OF GRANT FILES

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security
Title: All programs
CFDA #: All
Award #: All
Award Period: All periods
Estimated Questioned Costs: None

Statement of Condition

The Department does not have a standardized file management system across all of its programs. Lack of a standardized file management system creates challenges to ensure grant files contain all required documentation. Specifically, some programs maintained separate files for programmatic and financial information, while other programs maintained one file.

Criteria

Grant and subrecipient file requirements are addressed in Title 44 of the Code of Federal Regulations (CFR) Part 13 and the appropriate OMB Circulars, identify specific documents to be included in a grant file such as: documentation to support financial transactions such as invoices, ledgers, transaction reports, cancelled checks; financial status and progress reports; application documentation including SF-424, assurances, and lobbying forms; requests for payments (if applicable); monitoring related information such as letters, protocols, and checklists; contract information such as bid notices, awarded contracts, and requests for proposals; and matching and cost sharing documentation.

Effect

Lack of consistent of grant files management system increases the risk that all required

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documentation is not present and also makes it difficult for proper training of record managers as well as finding information when being audited.

Cause

The Department has not implemented standardized file management system across all of its programs

Questioned Costs

None

Recommendation

The Department should design an indexed template on how documentation in the grant files should be maintained as required by the federal regulations. Also, a uniform and comprehensive file system would aid the Department in the training of its staff even if turnover occurs

Management Response

DHSEM questions the validity of the auditor's findings.

With respect to Finding 2015-017, DHSEM recognizes that it is the responsibility of the Department to maintain grant files, however the Department does not share the auditor's opinion that this issue rises to the level of a significant deficiency in internal control over compliance of federal awards.

With respect to Finding 2015-017, DHSEM was already aware of and agrees with the FEMA Recommendation.

Management Response

This finding is a combination of two recommendations noted in the FEMA Region VI 2015 and 2016 Monitoring Visit Results letter, and is not a result from the FY2015 Audit as this was not an item tested by the auditing firm.

FEMA Region VI's Recommendations:

"Recommendation 1: NMDHSEM should create and implement policies and procedures for maintaining grant files. A single comprehensive file system would enhance NMDHSEM's ability to ensure grant files contain all required programmatic and financial documentation. Additionally, having comprehensive, up-to-date information for all open grants would assist NMDHSEM in the day-to-day management of its programs."

"Recommendation 6_- We recommend that NMDHSEM develop and implement a policy to ensure that copies of supporting documentation for transactions are retained in grant files. While we noted considerable improvement in NMDHSEM's ability to obtain supporting documentation from its financial records, consistent adherence to such a policy would ensure that grant files contain accurate, up-to-date activity associated with the expenditure of federal funds. We acknowledge that NMDHSEM has plans in place for a unified filing system and offer our assistance with developing a policy to ensure this filing system captures supporting documentation for all transactions.

DHSEM's Responses to Recommendations 1 and 6 of the 2016 FEMA Region VI Monitoring Visit letter, respectively:

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“DHSEM will draft a policy and procedure regarding department single comprehensive grant file system by June 30, 2017. Currently, NMDHSEM’s single comprehensive grant file system has been implemented for open and recently closed grant files. The comprehensive grants file system is located within the Administrative Service Bureau (ASB), and being maintained in accordance to 2 CFR 200.300 by both program and financial grant staff. File storage units have been purchases to accommodate the documentation capacity of the comprehensive grant files and its future growth.”
“NMDHSEM will develop a written policies and procedures within its Financial Assistance Handbook to address grant and sub-grant files. Currently, open and recently closed grant and sub-grant files require compliance with 2 CFR 200.300. In addition to our hard copy grant and sub-grant files, DHSEM files grant and sub-grant documentation in a Document Library, located on a NMDHSEM server. The estimated time for completion of the updated Financial Assistance Handbook, to include a grant file section is June 30, 2017.”

Finding resolved timeline:

As mentioned above, the timeline to resolve the recommendation from FEMA Region VI is June 30, 2017.

Designated of employee position responsible for meeting this deadline:

Grant and Sub-grant Analysts, Grant Management Unit Manager, Administrative Services Bureau Chief/ Chief Financial Officer, Preparedness and Response and Recovery Bureau Chiefs and staff, Deputy Secretary/ General Counsel and the Cabinet Secretary are responsible for meeting the June 30, 2017 deadline.

Auditor’s Response to Management’s Response

The auditor did not specifically test this area but we concur with the Monitoring Report finding.

2015-018 – PRIOR YEAR REVERSION NOT MADE TIMELY

Type of Finding: C, D

Statement of Condition

As of June 30, 2015, the Department had a liability of \$39,797 owed to the State General Fund for funds related to reversions related to the prior fiscal year (FY 2014).

Criteria

Per subsection A of Section 6-5-10 NMSA 1978 requires “all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within 45 days of release of the audit report for that fiscal year.” Failure to transfer reverting funds timely in compliance with the statute requires an audit finding.

Cause

The reversion was determined to be incorrectly calculated and may have been the reason reversion was not made.

Effect

The Department is not in compliance with the New Mexico Administrative Code regarding reversions.

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Recommendation

We recommend the Department revert its unspent state appropriations as stated under the criteria section of this finding.

Management Response

DHSEM does not contest the auditor's findings up to \$34,751.51.

Management will research its FY2014 State General Fund reversion amount. As noted above, the reversion was determined to be incorrectly calculated, therefore, without more research, the department can only verify \$34,751.51 in State Dated Warrant is owed to the State General Fund from FY2014.

Finding resolved timeline:

The department will research its FY2014 State General Fund reversion amounts and make the necessary change as soon as possible, but no later than June 30, 2017.

Designated of employee position responsible for meeting this deadline:

The Financial Accountant and Auditor, Financial Services Unit Manager and Administrative Services Bureau Chief/ Chief Financial Officer are the positions responsible for meeting this deadline.

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Exit Conference
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An exit conference was held on July 8, 2016. Present at the exit conference were:

For Department of Homeland Security:

Sarah Peterson	Admin Services. Bureau Chief/Chief Financial Officer
Morgan Browning, CPA	Consultant

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE, CGMA	President/Managing Shareholder
Maclen Enriquez, CPA	Senior Audit Manager

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Agency have been prepared by Hinkle + Landers, P.C., the Department's independent public auditors as well as by the Department's consultants, however, the financial statements are the responsibility of management.