State of New Mexico

Manual of Model Accounting Practices

New Mexico Department of
Finance & Administration

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Issued by
New Mexico Department of Finance and Administration –
Financial Control Division

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Introduction

0.1 Financial Control Division and the Manual of Model Accounting Practices

The Financial Control Division (FCD) of the New Mexico Department of Finance and Administration was created by NMSA 1978, §6-5-1 as amended. The responsibilities enumerated in NMSA 1978, §6-5-1 through§6-5-6, constitute the strategic, operational, reporting, and compliance objectives of FCD and, collectively, its mission of effectively accounting for and controlling the use of State resources.

The above referenced statutes require FCD to maintain a central system of state accounts and to devise, formulate, approve, control, and set standards for the accounting method and procedures of all state agencies of the State of New Mexico.

In addition, the statutes require FCD to prescribe procedures, policies, and processing documents for use by state agencies in connection with fiscal matters. To this end, the statute requires FCD to issue a manual of model accounting practices that includes the standards for the accounting methods and procedures of all state agencies. *Unit 1—System Administration and Unit 2—Work Breakdown Structure and Policies —* constitute the manual of model accounting practices required by statute.

0.2 State Agencies and the Manual of Model Accounting Practices

NMSA 1978, §6-5-1 through §6-5-6, establish requirements for both FCD and state. The statutes require state agencies to implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, it requires state agencies to implement controls to prevent the submission of processing documents to FCD that are in error or that are for a purpose not authorized by law.

The statutes also require state agencies to determine the authority for all proposed expenditures and to encumber the appropriate funds. In addition, the statutes require state agencies to determine that any disbursement of funds does not exceed the appropriation made to the agency, its periodic allotment, or the unencumbered funds at its disposal.

0.3 Strategies for Achieving Objectives

Management Team

The State has established a management team to achieve the objectives. This team consists of the state agencies' chief financial officers (CFO). Rule 2.20.5 NMAC, an administrative rule issued by FCD, establishes the responsibilities of a CFO. Those responsibilities parallel the state agency strategic, operational, and reporting and compliance objectives established by statute and by Rule 2.20.6 NMAC.

Adoption of Best Practices

The State has adopted "best practices" as its model accounting practices. This included: 1) adopting generally accepted accounting principles as its budgetary basis of accounting and 2) adopting “best practices” for its financial operations. Best practices are documented in *Unit 2* of this manual.

As a model of best practices and as a tool to implement them, the State has implemented an enterprise resource planning system (ERP). The decision was based on the premise that the processes within an ERP system are based on best industry practices. ERP systems are used to plan the use of enterprise-wide resources. As such, they integrate the data and processes of an organization into a unified system.

The State of New Mexico’s ERP system is referred to as SHARE (Statewide Human Resources, Accounting, and Management Reporting System). The system consists of several integrated modules including general ledger, payroll, human capital management, and fixed assets.

SHARE incorporates data from several external systems with their own databases. These systems are used for atypical functions such as investment accounting, tax revenue accounting, child support enforcement, etc.

Institutionalizing Objectives

The third strategy the State has adopted for achieving its objectives is institutionalizing strategic, operational, reporting, and compliance objectives by incorporating them into statutes and rules.

0.4 Statewide Accounting System Network

NMSA 1978, §6-5-2.1. F, as amended, requires FCD to prescribe, develop, operate, and maintain a uniform statewide accounting system network.

The Network is a business process, the purpose of which is to effectively account for and control the use of resources. The Network is based upon strategic, operational, compliance, and reporting objectives, all of which are mandated by law, statute, or rule.

The Network is also based upon the principle of “predictable processes”. Under that principle, objectives are achieved by processes that predictably produce desired results:

A. Defining objectives.

B. Defining processes to achieve those objectives.

C. Implementing the processes.

D. Managing/controlling the processes.

E. Providing resources to the processes.

F. Executing the processes.

G. Continually improving the processes.

The Network is made up of several components. The major components of the Network are referenced to the applicable sections of this manual.

0.5 Internal Control Framework

Internal Control Environment

The internal environment includes the tone of an organization, influencing the risk consciousness of its people, and is the basis for all other components of an enterprise's risk management. The tone of the State of New Mexico's internal environment is established by statutes and rules.

In summary, the State of New Mexico has a low risk tolerance. This is reflected in its adoption of generally accepted accounting principles as its budgetary basis, its adoption by rule of operating standards, its recognition in statute of model accounting practices, and its implementation of an enterprise resource planning tool based on "best practices."

TITLE 2 PUBLIC FINANCE
CHAPTER 20 ACCOUNTING BY GOVERNMENTAL ENTITIES
PART 5 RESPONSIBILITY FOR ACCOUNTING FUNCTION

- ***ISSUING AGENCY:*** *Department of Finance and Administration*
  [2.20.5.1 NMAC – N, 08-29-03]

- ***SCOPE:*** *Establishes accountability for accounting function in all state agencies as defined by section 6-5-1 NMSA 1978, as amended, without exception.*

[2.20.5.2 NMAC – N, 08-29-03]

- ***STATUTORY AUTHORITY:*** *Section 6-5-2, NMSA 1978, as amended, requires the division to maintain a central system of state accounts and to devise, formulate, approve and control and set standards for the accounting methods and procedures of all state agencies. Section 6-5-2 NMSA1978, as amended, requires the division prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. Section 9-6-5 (E) NMSA 1978, as amended, authorizes the secretary of the department to make and adopt such reasonable and procedural rules and regulations as may be necessary to carry out the duties of the department and its divisions.*

[2.20.5.3 NMAC – N, 08-29-03]

- ***DURATION:*** *Permanent*

[2.20.5.4 NMAC – N, 08-29-03]

- ***EFFECTIVE DATE:*** *August 29, 2003*

[2.20.5.5 NMAC – N, 08-29-03]

- ***OBJECTIVE:*** *To establish accountability for the accounting function by establishing, at the state agency level, standards for the proper recording, summarizing, and reporting of financial transactions and designating one state employee at each state agency to be responsible for maintaining those standards.*

[2.20.5.6 NMAC – N, 08-29-03]

- ***DEFINITIONS:***

- *"Accounting function" means the methods and procedures, be they manual or automated, used by a state agency to record, summarize, and report its financial transactions.*
- *"Accounting system" means the total structure of records and procedures used to record, to classify, to summarize, and to report on the financial position of a governmental entity or any of its funds, fund types, or organizational components.*
- *"Chief financial officer" is the working title of the state employee assigned the responsibilities set forth in section 2.20.5.8(C) NMAC of this rule.*
- *"Department" means the department of finance and administration.*
- *"Division" means the financial control division of the department of finance and administration.*
- *"State agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above.*
- *"Timely" means in substantial compliance with the due dates established by the division.*

[2.20.5.7 NMAC – N, 08-29-03]

- ***CHIEF FINANCIAL OFFICER AND ASSIGNMENT OF RESPONSIBILITIES:***
  - *Statute requires that the administrative head of each agency ensure that the model accounting practices, established by the division, are followed. In order to ensure that model accounting practices are followed, it is incumbent upon the agency head to carry out the responsibilities of the Chief Financial Officer, outlined in Subsection C of 2.20.5.8 NMAC.*
  - *An agency head may assign the responsibilities outlined in Subsection C of 2.20.5.8 NMAC to any employee within the agency that has the educational background, knowledge, and experience necessary to supervise, monitor, and control the state agency's accounting function. The delegation must be in writing, must be for a specific fiscal year, and must be approved by the division.*
  - *It is the responsibility of the Chief Financial Officer to ensure that:*
    - *an internal control structure exists at the state agency and is functioning properly.*
    - *all transactions are recorded daily in the agency's accounting records.*
    - *all transactions are properly classified in the agency's records.*
    - *cash account records are reconciled timely each month to the division's reports and to the state treasurer's reports.*
    - *all transactions comply with federal and state law.*
    - *all expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditure authority from the legislature and comply with Section 6-5-3 NMSA 1978, as amended.*
    - *all accounting systems, including subsidiary systems, are recording transactions timely, completely, and accurately.*
    - *all payments to vendors are accurate, timely and the state agency has certified they are for services rendered or goods received in accordance with Section 13-1-158 NMSA 1978, as amended.*
    - *all information requested by the division from the state agency is provided timely and accurately.*
    - *all reporting of financial information must be timely, complete and accurate, to the state agency's management and to oversight agencies and entities.*
    - *the state agency's annual financial statement audit is completed by the deadline established by the state auditor and the audit report includes an unqualified opinion.*

    (12) a budgetary control system, approved by the State Budget Division of the Department of Finance and Administration, is in place and functioning. [2.20.5.8 NMAC-N, 08-29-03]

HISTORY OF 2.20.5 NMAC: [RESERVED]

TITLE 2 PUBLIC FINANCE
CHAPTER 20 ACCOUNTING BY GOVERNMENTAL ENTITIES
PART 6 AUTHORITY TO ISSUE WARRANTS

- ***ISSUING AGENCY:*** *Department of Finance and Administration.*
  [2.20.6.1 NMAC - N, 08-29-03]

- ***SCOPE:*** *Applies to all state agencies, as defined by section 6-5-1 NMSA 1978, as amended, seeking authorization to issue warrants or exception from the requirement of prior submission of proposed vouchers, purchase orders or contracts to the division as provided in section 6-5-3 NMSA 1978, as amended.*

[2.20.6.2 NMAC - N, 08-29-03]

• ***STATUTORY AUTHORITY:*** *Section 6-5-9 NMSA 1978, as amended, requires the secretary of the department to annually issue a written order granting authorization to a particular state agency to issue warrants or exception from the requirement of prior submission of proposed vouchers, purchase documents, purchase orders or contracts to the division as provided in section 6-5-3 NMSA 1978, as amended when efficiency or economy so requires. Section 9-6-5 (E) NMSA 1978, as amended, authorizes the secretary of the department to make and adopt such reasonable and procedural rules and regulations as may be necessary to carry out the duties of the department and its divisions.*
[2.20.6.3 NMAC - N, 08-29-03]

• ***DURATION:*** *Permanent*
[2.20.6.4 NMAC - N, 08-29-03]

• ***EFFECTIVE DATE:*** *August 29, 2003*
[2.20.6.5 NMAC - N, 08-29-03]

• ***OBJECTIVE:*** *The object of this rule is to provide the conditions state agencies shall fulfill prior to applying to obtain an authorization to issue warrants or exception from the requirement of prior submission of proposed vouchers, purchase documents, purchase orders, or contracts to the division. Also, the object of this rule is to ensure that a state agency that is applying to obtain such authorization or exception is recording and reporting its financial transactions timely, completely, and accurately and that its accounting system follows all the division's current policies and procedures. Reporting includes but is not limited to: the reporting in audited financial statements; managerial reporting; reporting to oversight agencies including commissions, committees, and the legislature; and detailed transaction reporting to the division.*
[2.20.6.6 NMAC - N, 08-29-03]

- ***DEFINITIONS:***
  - *"Accounting system" means the total structure of records and procedures used to record, to classify, to summarize, and to report on the financial position of a governmental entity or any of its funds, fund types, or organizational components.*
  - *"Department" means the department of finance and administration.*
  - *"Division" means the financial control division of the department of finance and administration.*
  - *"State agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and*

means every office or officer of any of the above.

- *"Warrant" means a written instrument issued by the division authorizing payment of a specified amount to a designated payee out of the state treasurer's funds.*
- *"Timely" means in substantial compliance with the due dates established by the division.*

[2.20.6.7 NMAC - N, 08-29-03]

- ***APPLICATION PROCEDURES AND CONDITIONS OF APPROVAL OF AUTHORIZATION OR EXCEPTION:***
- *Each and every December 31, a state agency that wishes to issue warrants or exception from the requirement of prior submission of proposed vouchers, purchase orders, or contracts to the division for the following fiscal year (July 1 through June 30) shall apply for authorization or exception by submitting a written request to the secretary of the department explaining in detail the reasons why efficiency or economy will be better achieved by the state agency issuing warrants or waiving the prior submission requirements. As part of this annual request, the state agency shall include a detailed report outlining how it has complied during the past calendar year (January through December) with the following conditions and standards:*
    - *A well-documented internal control structure shall exist within the state agency and functioning properly.*
    - *All transactions shall be recorded daily in the state agency's accounting records.*
    - *All transactions shall be properly classified in the state agency's records.*
    - *The state agency's cash account records shall be reconciled timely each month to the division's reports and to the state treasurer's reports. If the agency maintains an account directly with a financial institution instead of with the state treasurer, the agency's cash account shall be reconciled timely to the financial institution's statement of account.*
    - *All transactions shall comply with federal and state law.*
    - *All expenditures shall be for a public benefit or purpose, be necessary, and be consistent with the related appropriation (expenditure authority from the legislature).*
    - *All accounting systems, including subsidiary systems, shall record transactions timely, completely, and accurately.*
    - *All payments to vendors shall be accurate and timely and be for services already rendered or goods received and accepted by the state agency as complying with the contract or purchase order.*
    - *All information requested by the division must be provided to the division timely and accurately, and in compliance with the division's current policies and procedures, including, but not limited to, transaction data.*
    - *All reporting of financial information to the state agency's management and to oversight agencies and entities must be timely, complete, and accurate.*
    - *The audit of the state agency's financial statements shall be completed by the deadline established by the state auditor and the audit report shall include an unqualified opinion.*
    - *Failure to meet any of the standards and conditions above is grounds for the secretary to deny approval to the agency to issue warrants or deny an exception to the prior submission requirements.*

- *The secretary may request the division's office of the state controller to verify the maintenance of the above standards and conditions during the annual period for which the authorization is granted. The state agency shall cooperate in providing the division's office of the state controller with the information it requests.*
- *If the secretary does grant approval to the state agency for the authorization to issue warrants or exception to the prior submission requirements, that approval is only for the fiscal year beginning July 1 following the request.*
- *If the state agency is issuing warrants or is waived from the prior submission requirements at the time it makes the application and the secretary denies the request for the subsequent fiscal year, the agency shall not issue warrants after the June 30th following the denied request.*
- *By March 1 following the denied request, the state agency shall make arrangements with the division for the division to issue the warrants for the state agency beginning the July 1 following the denied request. As allowed by law, this shall include the transfer of financial resources to the division to cover the cost of issuing the warrants and administering the prior submission of proposed vouchers, purchase orders, and contracts.*

[2.20.6.8 NMAC - N, 08-29-03]

HISTORY OF 2.20.6 NMAC: [RESERVED]

NEW MEXICO STATUTES ANNOTATED 1978
CHAPTER 6 PUBLIC FINANCES
ARTICLE 5 FINANCIAL CONTROL DIVISION

6-5-1. Definitions. (2003)

As used in Chapter 6, Article 5 NMSA 1978:

A. "division" means the financial control division of the department of finance and administration;

B. "central accounting system" means the accounting system used by the division to process and record payments, deposits and other financial transactions for state agencies and departments;

C. "electronic" means electric, digital, magnetic, optical, electronic or similar media;

D. "local public body" means any political subdivision of the state that expends public money from whatever source derived, including counties, county institutions, boards, bureaus or commissions; incorporated cities, towns or villages; drainage, conservancy, irrigation or other districts; charitable institutions for which appropriations are made by the legislature; and every office or officer of any of the above;

E. "model accounting practices" means the accounting methods and procedures used by the state;

F. "processing document" means a form, including supporting documents, submitted by a state agency to the division that will be used by the division to record a financial transaction or make payment;

G. "state agency" means any department, institution, board, bureau, commission, district or committee of the government of the state and means every office or officer of any of the above; and

H. "statewide accounting system network" means the central accounting system, the central payroll system, the central treasury system and all other financial accounting systems operated by state agencies as one system through manual or automated interfaces.

6-5-2. Financial control division; central system of state accounts; accounting systems; processing documents; model accounting practices; internal accounting controls. (2003)

A. *The division shall maintain a central system of state accounts and shall devise, formulate, approve, control and set standards for the accounting methods and procedures of all state agencies. The division shall prescribe procedures, policies and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions. Procedures and policies issued by the division are exempt from the uniform standards of style and format promulgated by the state commission of public records.*

B. The division shall issue a manual of model accounting practices containing the procedures and policies prescribed pursuant to Subsection A of this section and shall annually review and, if necessary, revise and reissue the manual. State agencies shall comply with the model accounting practices established by the division, and the administrative head of each state agency shall ensure that the model accounting practices are followed.

C. State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

6-5-2.1. Division; additional duties. (2003)

The division shall:

A. coordinate all procedures for financial administration and financial control and integrate them into an adequate and unified system, including the devising, prescribing and installing of processing documents, records and procedures for state agencies;
B. collect and maintain the necessary information to produce ledgers, journals, registers and other supporting records and analyses;
C. maintain information that adequately supports all entries in the state general ledger;
D. verify and control state agency compliance with allotments;
E. conduct all central accounting and fiscal reporting for the state as a whole and produce interim statewide financial reports and the state's comprehensive annual financial statements;
F. prescribe, develop, operate and maintain a uniform statewide accounting system network;
G. prescribe and approve the installation of any changes in the statewide accounting system network as necessary to secure and maintain internal control and facilitate the recording of accounting data in order to prepare reliable and meaningful statements and reports;
H. prescribe the uniform classification of accounts to be used by state agencies;
I. operate a central payroll system;
J. perform monthly reconciliations with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies;
K. prescribe and revise procedures, techniques and formats for electronic data transmission to improve the flow of data among state agencies;
L. monitor reversion of unexpended general fund balances by September 30 of each year;
M. promulgate rules relating to the acceptance of credit, charge and debit cards for the payment of fees, taxes and other charges assessed by state agencies;
N. store and maintain records electronically;
O. establish, with the attorney general's approval, a procedure for electronic signatures;
P. maintain accounts and information as necessary to show the sources of state revenues and the purposes for which expenditures are made and provide proper accounting controls to protect state finances;
Q. make improvements in the state's model accounting practices, systems and procedures;
R. assist state agencies in resolving financial questions or problems;
S. have access to and authority to examine books, accounts, reports, vouchers, correspondence files and other records, bank accounts, money and other property of a state agency; and
T. consult with the state auditor to promote better financial statement reporting.

6-5-3. Legality and authority for proposed expenditures determined by division and state agency; encumbering funds. (2003)

Before any vouchers or purchase orders are issued or contracts are entered into involving the expenditure of public funds by a state agency, the authority for the proposed expenditure shall be determined by the division and the state agency. After the authority for the expenditure is determined, the appropriate fund shall be shown by the division to be encumbered to the extent of the proposed expenditure. The division may request, and the state agency shall provide, such documentation and other information as the division deems necessary to justify the state agency's determination of authority. The division may disapprove the proposed expenditure if it determines that the justification is inadequate or is not substantiated by law. The division may perform, on a statistical or stratified basis, internal pre-audit and post-audit procedures to monitor and enforce compliance with the provisions of this section.

6-5-4.1. Annual financial report. (2003)

The division shall compile a comprehensive annual financial report. To assist in the *compilation of the report, each state agency shall compile, in accordance with generally accepted accounting principles, its financial statements on a schedule established by the division.*

6-5-5. Warrants issued by secretary; powers and duties of state auditor regarding warrants and transfer of funds imposed upon secretary. (1977)
All warrants upon the state treasury shall be issued by the secretary. All the powers and duties of the state auditor relating to the issuance of warrants or the transfer of funds are imposed upon the secretary.

6-5-6. Determinations to be made prior to issuance of warrants. (2003)

C. *No warrant upon the state treasury for the disbursement of funds shall be issued except upon the determination of the division and the state agency that the amount of the expenditure:*
    a. *does not exceed the appropriation made to the state agency; and*
    b. *does not exceed the periodic allotment made to the state agency or the unencumbered balance of funds at its disposal unless the warrant includes federal funds that will be receipted based upon established warrant-clearing patterns.*

CI. *The division may implement and perform internal pre-audit and post-audit procedures to monitor and enforce compliance with the provisions of this section. The pre-audit and post-audit procedures may be applied on a stratified or statistical basis.*

CII. *A state agency shall determine that a proposed expenditure is for a public benefit and purpose consistent with the related appropriation and is necessary to carry out the statutory mission of the state agency prior to committing the state to the transaction.*

6-5-7. Warrant or documentation to show fund from which payment is made; settlement of claims against state; account between state and treasury. (2006)
Every warrant issued or its supporting documentation shall contain the particular fund appropriated by law out of which it is to be paid. The division shall settle all claims against the state payable by law out of the treasury and keep an account between the state and the treasurer.

6-5-8. Vouchers. (2003)
All claims for payment of public money shall be made upon a public voucher. All public vouchers shall be in the form and contain the information required by the division. All purchase vouchers for goods and services, other than personnel, shall be accompanied by supporting invoices and documentation required by the division. Vouchers for the reimbursement of public officers and employees shall have receipts attached for all money claimed, except that travel advance or reimbursement vouchers for claims of mileage and per diem at standard rates need not be accompanied by receipts. All vouchers shall be certified as true and correct by the officer or employee designated to approve payments of claims against state agencies and local public bodies, including public schools. The division may require that payroll, travel advance, reimbursement, refund or other vouchers be sworn to by the certifying officer or payee. Certification may be in writing or by electronic media.

6-5-9. Secretary may authorize state agencies to issue warrants; secretary may exempt state agencies from submission of proposed vouchers, purchase orders or contracts. (2003)
The secretary of finance and administration may, when he determines that efficiency or economy so requires, authorize state agencies to issue warrants and except state agencies from the requirement of prior submission of proposed vouchers, purchase orders or contracts to the financial control division as provided in Section 6-5-3 NMSA 1978. The authorization or exception shall be made annually by the order of the secretary in writing. The order shall state the extent of the authorization or exception and the reasons therefore [therefor]. The

department of finance and administration shall promulgate rules providing conditions for agencies to meet before obtaining an authorization or exception pursuant to this section. The department shall annually report to the legislative finance committee on the authorizations and exceptions granted.

6-5-9.1. Procurement card project. (2003)

The division shall design and implement a procurement card project that allows state agencies to pay for purchases by using procurement cards. To implement the project, the division may enter into an agreement with a procurement card issuer. The division shall determine the limits of the project, including the number of state agencies that participate and limitations on types of goods and services that may be eligible for purchase through procurement cards.

6-5-10. State agency reversions; director powers; compliance with federal rules. (2003)

A. *Except as provided in Subsections B and C of this section, all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty-five days of release of the audit report for that fiscal year.*

B. *The director of the division may modify a reversion required pursuant to Subsection A of this section if the reversion would violate federal law or rules pertaining to supplanting of state funds with federal funds or other applicable federal provisions.*

Unit 1—System Administration

1.0 Assignments and Responsibilities

1. Agencies must assign ownership of each process. Each owner is responsible for assigning the right employees to complete each task.

2. To ensure the right employees are assigned, each agency must have a human resource development program to ensure that jobs are properly designed, considering:

    a. Authority level

    b. Skill level required

    c. Appropriate segregation of duties

3. Additionally, the human resource development program must ensure employees are adequately trained for their assigned tasks.

Unit 2—Work Break Down Structure and Policies

2.0 Commonly Used Abbreviations

ACFR	Annual Comprehensive Financial Reporting
BAR	Budget Adjustment Request
BOF	Board of Finance
BPS	Budget Preparation System
CFO	Chief Financial Officer
CPB	Central Payroll Bureau
CRB	Contracts Review Bureau
DFA	Department of Finance and Administration
DOT	Department of Transportation
FAB	Fiscal Agent Bank
FCD	Financial Control Division
FCDSU	Financial Control Division Support Unit
FMB	Financial Management Bureau
GSD	General Services Department
HCM	Human Capital Management
LFC	Legislative Finance Committee
LGD	Local Government Division
SBD	State Budget Division
SPD	State Purchasing Division
SPO	State Personnel Office
STO	State Treasurer's Office

2.1 Standards, Policies, and Procedures

1. The following section provides the user with the standards, policies, and procedures applicable to the best practices of the State’s financial operations. Agencies must adhere to the best practices documented in this section.

2. Agencies should use this section as a reference when preparing documents that will be processed through SHARE. In addition, the agencies should use the section as a model to evaluate the efficiency, effectiveness, and economy of their accounting systems. Lastly, this section should be used as a tool to establish accountability. The responsibility for maintaining the accounting system of production and for completing each financial operation should be assigned to specific individuals.

3. Although extensive, the standards, policies and procedures in this section may need to be supplemented to meet the individual needs of an agency and fully comply with the State’s best practice.

2.2 SHARE Modules

1. The Statewide human Resources Accounting and Reporting system (SHARE) supports statewide, centralized accounting and HR functions through enterprise adoption and support for the following modules:
   a) General Ledger
   b) Accounts Receivable
   c) Accounts Payable
   d) Purchasing
   e) Contracts
   f) Commitment Control
   g) Time and Labor
   h) Payroll
   i) Benefits
   j) Self Service
   k) Recruiting

2. Use of any additional module by an agency requires discussion, review, and approval by DFA and DoIT. If the decision is to proceed, the agency is expected to provide financial support for system implementation, training, and support. In general, SHARE modules cannot be customized, and agencies are expected to adopt the leading business practices available in the delivered version of the software.
3. All changes, modifications and customizations to SHARE must be approved by the State Controller's Office in advance. All approved changes must be tested and approved by the Department of Information Technology (DoIT).
4. DFA may revoke user access to SHARE for misuse of the system. The department may also require specified training for new users as well as refresher training for others.

FINANCIALS

FIN 1 – Commitment Control (Budget)

Policies and Procedures

Business Processes

Beginning of Document

FIN 1.1 Annual Operating Budget/Appropriations

A. MAP Standard

To ensure legal compliance with the budget authorized by the Legislature and approved by the Governor, revenues and expenditures must be monitored and controlled.

B. Purpose

This policy establishes the requirement that state agencies comply with the processes and procedures prescribed by State Budget Division (SBD) to develop their annual appropriation request, to prepare their annual operating budget, and to establish their approved budget in SHARE.

C. Authority

NMSA 1978, §6-3-7, §6-3-9, §6-6-10, §6-3-15, §6-5-1 to §6-5-3

D. Policy

1. Each year by September 1, state agencies shall submit a proposed budget request for the ensuing fiscal year to SBD in the format and manner prescribed. The proposed budget will identify anticipated receipts, projected expenditures, and balances on hand as prescribed by law and/or SBD.

2. State agencies are not authorized to commit funds, order goods, or make expenditures for the next fiscal year until the annual operating budget has been approved by SBD and the new fiscal year has begun.

3. SBD and Financial Control Division (FCD) have the responsibility for ensuring that appropriations, allotments, and annual operating budgets entered and maintained in SHARE are consistent with the appropriation measures passed by the Legislature and signed by the Governor.

4. Neither SBD nor FCD are authorized to take actions that would reduce the state agencies' appropriations, allotments, or annual operating budgets below the amount legislated without additional legislative authorization, unless as authorized in NMSA 1978, §6-3-23 through §6-3- 25

5. Any action taken by SBD that affects state agencies' budgets is subject to review by the Governor.

6. For single-year appropriations, unless otherwise stated in state law, all unexpended and unencumbered amounts remaining in a fund designated to revert at the end of the current fiscal year will revert to the State General Fund.

7. For multi-year appropriations, FCD will allot funds for the ensuing fiscal year in a manner consistent with the authorizing statute.

E. Applicability

This policy statement applies to all state agencies.

F. Procedures

SBD/Capital Outlay Bureau (COB)

1. Issue Budget Request Forms, Infrastructure Capital Improvement Plan (ICIP) & Information to state agencies on or before June 15.

State Agency

2. Complete Budget Request using the Budget Review System (BRS) and return to SBD by September 1. A copy of the Budget Request goes to the Legislative Finance Committee (LFC).
3. Determine level of budget appropriation request," P" (program for category level appropriations), "S" or "Z" (single line appropriations), "A" (for major capital asset).
4. If needed, request change to program structure and performance measures by July 15. Submit to both SBD and LFC.
5. Complete the ICIP and return to COB on or before July 1.

SBD/COB

6. Verify, review, and analyze Budget Request and ICIP of the state agency. Make Executive Budget recommendations to the Governor.
7. Submit Governor's budget to Legislature due January 5 of even years and January l0 of odd years.

Legislature

8. LFC prepares and submits its budget proposal to the Legislature.
9. Legislature compares the Budget Recommendations from Executive and LFC, holds hearings, and approves tentative recommendation. (They may adopt one or the other recommendation or a combination of the two.)
10. Final budget bill – General Appropriation Act and Capital Outlay Bill(s) – submitted to Governor.

Governor

11. Approves or vetoes the General Appropriation Act and Capital Outlay Bill(s). Final legislation determines level and term of funding. The Governor has line-item veto authority on bills making appropriations including budget bills.
12. Budget chaptered into law by Secretary of State.

FCD

13. Work with SBD/COB to assign the class codes and department A, Z or S codes required for appropriations budget journal entry.

SBD/COB

14. COB assigns project codes for capital project appropriations and creates and sends to agencies a

spreadsheet to identify categories for each capital project.

15. Issue OPBUD2 to state agency and request preparation of OPBUD3/4 (SBD), CAPBUD, and Capital Budget Reallocation Form (CBRF) forms.

State Agency

16. Prepare operating budget and budget journal information in the Budget Review System (BRS) based on information provided on the OPBUD2 and generate OPBUD3/4 (SBD), which are due by May 1. Prepare *Request for Allotment* form based on the information provided on OPBUD2. Allotment request forms must contain only on department per program (P-Code).

17. Complete spreadsheet identifying amounts to be budgeted in each category for upload into SHARE. Due on May 1 as well.

SBD/COB

18. Assign control numbers to all OPBUDS, CAPBUDS, and Allotment forms.

19. Review and approve budget journal information at appropriation level and review and approve OPBUD3/4 allotment forms (approved by SBD) and capital project spreadsheet CAPBUD and CBRF (approved by COB) and allotment forms.

20. Reconcile budget journal information in BRS to appropriation legislation (SBD).

21. Once reconciled, upload budget journal information into SHARE.

22. Post Budget Journals.

23. Send Allotment forms to FCD.

FCD

24. Perform reconciliation of the appropriations in the budget journals posted to the appropriations authorized in the General Appropriations Act.

FIN 1.2 Special, Supplemental, and Deficiency Appropriations

A. MAP Standard

To assure the proper recognition and recording of other financing sources and to ensure legal compliance, allotments are to be monitored and controlled at FCD and the state agency level.

B. Purpose

This policy establishes that expenditures of state monies by state agencies must be budgeted, authorized, and approved before they are made.

C. Authority

FCD Administrative Practice

D. Policy

1. FCD will allot the entire appropriation amount in the fiscal year the appropriation is first available to the agency unless the authorizing legislation has a contingency.

2. When expenditures have exceeded approved operating budget in a previous fiscal year, state agencies must obtain a deficiency appropriation passed by the Legislature and approved by the Governor to authorize additional expenditures.

3. When expenditures are projected to exceed the approved or adjusted operating budget in the current fiscal year, state agencies must obtain a supplemental appropriation passed by the Legislature and approved by the Governor to authorize additional expenditures.

4. When agencies require a non-reoccurring appropriation for a specific project or purpose, state agencies must obtain a special appropriation passed by the Legislature and approved by the Governor to authorize additional expenditures.

5. All allotments of emergency appropriations must be approved by SBD.

E. Applicability

This policy statement applies to all state agencies, unless specifically exempted by law.

F. Procedures

<u>State Agency</u>

1. Prepare *Request for Allotment* form and submit to SBD for approval.

<u>SBD</u>

2. Review the form submitted by the agency, approve and forward to FCD for processing.

FCD

3. Allot appropriate amounts based on approved allotment request forms.

FIN 1.3 Appropriation Allotments

A. MAP Standard

To ensure legal compliance and prevent permanent cash overdrafts, cash flow relating to receipts and disbursements should be carefully monitored and controlled in conjunction with the budget.

B. Purpose

This policy establishes that allotments will be used to manage the rate of disbursements and that the allotments may be changed during the year, as circumstances require.

C. Authority

NMSA 1978, §6-3-6

D. Policy

1. FCD will distribute all allotments from the Appropriation Act in equal monthly amounts unless an accelerated distribution has been approved by SBD. Allotments for all other appropriations will be distributed based on statutory provisions or state agency requests approved by SBD.

2. State agencies can request that SBD change their monthly allotment ratio in accordance with statutory provisions, within the limitations of cash availability.

3. SBD may adjust allotments to meet general fund cash flow requirements with written approval from the DFA Secretary or State Budget Director. SBD must formally notify the affected state agencies of the adjustments.

E. Applicability

This policy statement applies to all state agencies.

FIN 1.4 Appropriations Schedule

A. Statement

The Appropriations Schedule, independently developed by SBD and FCD, is used to verify and establish appropriations and allotments for each fiscal year.

B. Procedures

<u>FCD</u>

1. Prepare a spreadsheet entitled "Schedule of Appropriations – General Fund" that displays the following for each state agency account:
    a. Current fiscal year appropriation by New Mexico Chapter Law and section for each.
    b. Citation of Legislative session for the fiscal year, for instance the Laws of 2023 establishes the fiscal year 2024 budget.

<u>SBD</u>

2. Verify appropriation amounts and provide FCD with approved allotment request forms for each agency.

FIN 1.5 Changes to Established Allotments

A. Statement

SBD is responsible for authorizing changes to allotment schedules.

B. Procedures – State Agency Requests Change of Allotment Schedule

<u>State Agency</u>

1. Submit a request to SBD to make a change from the established allotment schedule, including any monthly advances or quarterly or semiannual allotments. Provide the reason(s) for the request and the desired effective date. Justify the need to revise the allotments and show, if applicable, anticipated revenues from non-state general fund sources if those sources fund increases in allotments. Provide the appropriate fund/agency code. Provide updated allotment request form, with accelerated appropriation box checked. The form required authorizing the release of regular, deficiency, supplemental, special, or capital appropriations from the general fund or the computer systems enhancement fund is included with the operating budget instructions sent to all state agencies by SBD.

<u>SBD</u>

2. Consult with the DFA Cabinet Secretary/State Budget Director and the agency's Cabinet Secretary/Director if the request is denied.

<u>FCD</u>

3. If the request is approved, notify the state agency in writing as to the change in allotments and provide the state agency with a new allotment schedule.

4. FCD implements the change in SHARE if the request is approved.

FIN 1.6 Budget Adjustment Request (BAR)

A. MAP Standard

To ensure legal compliance, state agencies must verify that budget adjustment authority exists, and the budget adjustment will result in expenditures that are for the original authorized purpose.

B. Purpose

This policy establishes the requirement that requests for budget adjustments, whether for existing budgets or for emergency appropriations, follow the guidelines established by SBD, and they are consistent with the original legislative intent.

C. Authority

NMSA 1978, §6-3-25
Annual General Appropriations Act (House Bill 2)
Annual *Budget Adjustment Request* form and guidelines issued by SBD

D. Policy

1. All requests for budget adjustments must be submitted to SBD using a Budget Adjustment Request (BAR) form.

2. If budget adjustment authority exists, SBD is authorized to approve BARs for the following:

    a. Transfers between programs.

    b. Transfers within program(s).

    c. Budget increases.

    d. Budget decreases.

    e. Capital project budget adjustments.

3. Requested and approved adjustments to budgeted expenditures must be made at the appropriation unit level (typically expenditure categories). Requested and approved adjustments to budgeted revenues are made at the revenue source code level.

4. BARs that affect revenue or cash balances are subject to the following:

    a. The BAR must identify 1) the specific revenue source(s) and amount(s) that will be increased or decreased, and 2) the specific appropriation unit(s) and amount(s) that will be increased or decreased.

    b. The adjustments in revenue must identify the specific state fund and the source, which could include specific revenue source(s), internal service fund/interagency transfers, federally funded sources, or reductions of on-hand cash balances.

c. Increases from sources other than state general fund, such as federal funds, internal service funds, etc., require documentation to support these revenues are either currently available or will be available to fund the adjustment.

d. To support an increase using unbudgeted cash balance(s), state agencies must prove the cash balance(s) is available and is not encumbered by liabilities.

5. Requests for budget adjustments that are not consistent with legislative authority and intent will not be approved.

E. Applicability

This policy statement is applicable to all state agencies.

F. Procedures

State Agency

1. Complete the BAR form and identify whether the requested adjustment is a budget transfer between programs, budget transfer within a program, budget increase, budget decrease, or a capital budget adjustment. Follow the checklist provided by SBD that lists the data required to support the BAR, e.g., bar identification, state agency contact person, BAR summary, legal authority, BAR detail, and other necessary attachments and supporting documentation. For category transfers, complete budget projection spreadsheet on forms provided by SBD.

2. Enter budget journals relating to the BAR into SHARE.

3. Enter SHARE Budget Journal ID numbers on BAR form.

4. Send the completed forms to SBD. Email the BAR form and backup to the SBD office manager. Upload backup as attachment to SHARE journals.

SBD

5. SBD logs in the BAR into database to track progress.

6. Send a copy of BARs *and* accompanying documentation to the LFC.

7. Return BARs and accompanying documentation to the state agency for corrections, if any. Provide an explanation of the reason for not approving the BAR.

8. Send to analyst and supervisor for review and approval.

9. Upon approval by SBD, forward an approved copy of the BAR to the LFC.

10. For those BARs that are subject to LFC review, hold in abeyance for ten calendar days for all approved BARs and await the LFC decision on whether the LFC will protest the BAR.

    a. To prevent the BAR from becoming effective (if within ten days), LFC objects to the

BAR. Hold the BAR until LFC reviews the request at a public hearing, which shall be held within thirty-five calendar days of LFC's receipt of the proposed BAR.

b. Implement the BAR if no public hearing is held within the thirty-five-day waiting period. If the state fiscal year ends before the scheduled hearing date, then the request shall be effective on the last day of the fiscal year.

11. Review the approved BAR for accuracy and completeness and post the budget journal entries.

<u>SBD</u>

12. Sign and forward copy of posted BAR to state agency.

<u>State Agency</u>

13. If the agency uses Department Level Budgeting, record, and post reduction AGY BAR at department level into SHARE first before preparing and submitting the BAR to the SBD.

14. After BAR has been posted by FCD, then record and post increasing AGY BAR at department level into SHARE.

FIN 2 – Cash Management Function

Policies and Procedures

Business Processes

Beginning of Document

FIN 2.1 Timely Depositing of Cash

A. MAP Standard

Ensure that money received is deposited into the state treasury within established statutory timeframe.

B. Purpose

This policy establishes the requirement that cash received by agencies must be timely deposited into the state treasury or accounts thereof in accordance with state statute. Timely deposit of receipts reduces the risk of loss or theft.

C. Authority

NMSA 1978, §6-10-3
NMSA 1978, §6-10-10
NMSA 1978, §6-1-13

D. Policy

1. State agencies must deposit cash, checks, and drafts into bank accounts authorized by the State Treasurer's Office (State Treasury) no later than <u>the next business</u> day after receipt.

2. State agencies shall document all monies received either with a pre-numbered receipt/deposit ticket or by entering them in a cash receipt log that specifies the amount and date of the receipt, the source of revenue, and account coding information. Cash registers used by agencies must issue numbered cash receipt as validation.

3. State agencies must account for all pre-numbered receipts/deposit tickets:

4. Receipts/deposit tickets available for use must be adequately controlled and safeguarded.

5. Spoiled or voided receipts/deposit tickets must be marked "Void" and must be retained for support and independent verification.

6. State agencies using lockboxes shall reconcile daily the monies remitted by the bank directly into the agencies account with the bank deposit ticket and the SHARE *Deposit Entry*.

7. State agencies using desktop scanners should retain scanned checks to ensure the image quality is accepted by the fiscal agent bank. Checks must be secured at all times and should be destroyed after 14 business days.

8. Any electronic images of checks stored on agency servers must comply with NACHA masking guidelines.

9. State agencies must restrictively endorse – "For Deposit Only To (State Agency Account)" – all checks or negotiable instruments at time of receipt.

10. State agencies that collect monies for the use of other agencies are responsible for ensuring those deposits and receipts are classified and accounted for within SHARE on a timely and accurate basis. All deposits must be properly and accurately accounted for at the end of each month.

11. State agencies authorized to maintain bank accounts are required to record bank account activity periodically but no less than monthly within SHARE. State statute or State Treasury policies and procedures shall determine whether these monies must be transferred into an account directly stewarded by State Treasury and when and how the transfer should take place.

E. Applicability

This policy statement applies to all state agencies.

FIN 2.2 Proof of Deposit Documentation

A. MAP Standard

Proof of deposit should be obtained for cash and other payment instruments to validate that funds were accurately credited to the proper agency and account. This control process is designed to ensure and document legal compliance and safeguard cash.

B. Purpose

This standard establishes the requirement that all deposits be validated or receipted to safeguard cash and to allow independent verification.

C. Authority

NMSA 1978 §6-5-2

D. Policy

1. State agencies should obtain a validated banking institution deposit receipt for all monies deposited with a State Treasury authorized banking institution. Agencies using desktop scanners should print documentation after the electronic deposit is made, showing how much the deposit was for and when the deposit was made. The print screen will act as the Agency's validated deposit receipt.

2. The amount deposited must be verified by an individual independent of the personnel who had access to the monies and/or deposit. Verification consists of comparing the validated *Deposit Ticket* or receipt with the amount(s) recorded in the state agency records to confirm agreement.

3. Validated bank receipts should be kept on file until the independent annual audit report for that fiscal year has been officially issued.

4. After the agency audit report for a fiscal year has been issued, validated bank receipts/tickets should be sent to the State Records Center and Archives to be stored in accordance with state archiving policies and procedures.

E. Applicability

This policy applies to all state agencies.

FIN 2.3 Preparing and Documenting Cash Receipts

A. Statement

The following procedures should be followed for preparing and documenting receipt of cash, checks, or money orders.

B. Authority

NMSA 1978, §6-5-2

C. Procedures

State Agency

1. Count the cash received and verify the check or money order was completed properly with the correct amount and appropriate signature.

2. Document the receipt of money using a pre-numbered cash receipt slip, validated cash register receipt, or a cash receipt log. Record the date, amount, and person issuing the receipt. Record the payer, when applicable.

3. Place the receipts in a secure location until deposited.

D. Applicability

These policies apply to all state agencies.

FIN 2.4 Restrictive Endorsement of Checks

A. Statement

To limit financial instrument negotiability, State agencies should "Restrictively Endorse" all checks upon receipt using the following procedure.

B. Authority

NMSA 1978, §6-5-2

C. Procedures

<u>State Agency</u>

1. Affix the "For Deposit Only To (State Agency Account)" statement on the back of each check immediately upon receipt.

D. Applicability

These policies apply to all state agencies.

FIN 2.5 Timely Recording of Deposits in SHARE

A. MAP Standard

Accounting entries are recorded as necessary in the period in which they occur. Cash receipts are to be promptly recorded in SHARE by the agency depositing the funds.

B. Purpose

Establish the requirement that agencies accurately record cash receipts in SHARE in the period in which received and the accounting for cash is timely to ensure that all deposits are available for inclusion in established financial closing schedule.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. Accounting for deposits in SHARE using Accounts Receivable Module functionality is the agency's responsibility, this includes entering the accounting information, completing and budget checking and correcting any associated accounting errors.

2. Deposit transactions, except for return items with a BAI code of 469, from the previous business day will be loaded into SHARE Accounts Receivable Module daily and agencies <u>must</u> complete, and budget check the deposit on the day loaded.

3. Return Items with a BAI code of 469 or, deposits with a reconciliation status of Duplicate will need to be manually entered, completed and budget checked by the agency daily.

4. Recognizing that obtaining information required to account for deposits and return items may take longer than a day and that some agencies use accounting processes other than Direct Journal Entries to account for receipts, the next day accounting convention may be waived if approved by the State Controller, however all deposits within a given accounting month should be accounted for no later than five (5) business days after the deposit posted to the bank. The five (5) business day exemption approval can be rescinded at any time.

5. Agencies should utilize the following SHARE queries to validate bank activity:

    - NMS_BANK_TRANS_W_RECON_STATUS
    - NMS_RETURN_ITEM (only for depository account)

6. Agencies should utilize the following SHARE queries to validate activity in the Accounts Receivables Module:

    - NMS_AR_DJ_ENTRIES_CASH_REMED
    - NMS_AR_ENTRIES (only for worksheet deposits)

7. If the accounting system used to record cash activity is not SHARE, then the agency shall periodically but no less than once a month and prior to the fifth workday of the subsequent month prepare and submit *Journal Entries* to the FCD to record cash activity in SHARE.

E. Applicability

This policy applies to all state agencies.

FIN 2.6 Returns and Other Bank Debits/Adjustments

A. MAP Standard

Timely and accurate accounting for miscellaneous bank debits such as returned items that have been deposited by the state agency and subsequently returned or adjusted by the fiscal agent bank.

B. Purpose

Establish the requirement that all checks or other negotiable instruments that are returned as uncollectible and all miscellaneous bank adjustments be accounted for timely by the depositing state agency.

C. Authority

NMSA 1978, §6-5-2

D. Procedure

State Agency

1. State agencies are responsible for the daily monitoring of return item/miscellaneous debit activity posted to their assigned bank account(s). Agencies can utilize the following queries to identify debit transactions for depository accounts:

    - NMS_RETURN_ITEM (for depository accounts)
    - NMS_BANK_TRANS_W_RECON_STATUS (for warrant and depository accounts)

2. Return and Other Bank Debits will automatically be loaded in the SHARE Accounts Receivables Module along with the deposits, except for returns with a Bank Statement Code of 469. The Returns and Other Bank Debits will have a negative amount on the Payments Tab. If the Return or Other Bank Debit was not automatically uploaded, please manually enter it.

3. Recognizing that obtaining information required to account for returns or miscellaneous debit transactions may take longer than a day, the next day accounting convention may be waived if approved by the State Controller; however all returns/miscellaneous debits within a given accounting month should be accounted for no later than five (5) business days after the deposit/return was posted to the bank.

4. State agencies must take prompt and appropriate action to collect returned items.

E. Applicability

This policy applies to all state agencies.

FIN 2.7 ACH Reversals

A. MAP Standard

Ensure an agency's request for an ACH payment to be reversed by the fiscal agent bank is appropriate and necessary.

B. Purpose

Establish the requirement when an ACH reversal will be approved and submitted to the fiscal agent bank for processing.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. Agencies are to ensure when making payments to suppliers or employees, the supplier or employee's bank account information in the supplier record is updated.

2. Agencies are to ensure the correct supplier is used when initiating a payment.

3. If a payment is made to the wrong supplier or bank account, the following general criteria will be used to determine if an ACH reversal will be done:

    - Is the account holder known, i.e. bank account owner is the same as the payee?
    - Can the supplier be contacted to have them request their bank reject the ACH payment?
    - Can the supplier repay the agency through a payment?

4. If any of the above are applicable, the agency should work with the supplier to have the funds returned to them through an ACH rejection or repayment.

5. If the account holder is not the same as the payee, then FCD will process an ACH reversal request with the fiscal agent bank.

    - The agency shall submit the request for ACH reversal to the Financial Management Section within 24 hours of the error; the request shall include voucher ID, payee name, payment date, and dollar amount.

E. Applicability

This policy statement applies to all state agencies.

FIN 2.8 Establishment of non-SGFIP Bank Accounts

A. MAP Standard

Ensure that money received is deposited into authorized bank accounts and recorded in the accounting system timely and in accordance with state statute.

B. Purpose

Establish the requirement that agencies must obtain State Treasurer authorization to open non-SGFIP bank accounts and that cash be deposited timely into the state treasury or accounts thereof in accordance with state statute.

C. Authority

NMSA 1978, §6-10-3
NMSA 1978, §6-1-13
Rule 2.60.2 NMAC

D. Policy

1. No state agency may open a new bank account or deposit money in an existing bank account without written authorization from the State Treasurer or his designee. Requests for new depository accounts must be submitted in writing on the forms prescribed by the State Treasurer.

2. The State Treasurer will set the conditions and/or limitations for each account and may be authorized based on the following general criteria:

    a. A local deposit account is necessary to ensure safety of state funds handled by state agencies receiving cash or instruments on a daily or routine basis; or
    b. An account is established by court order or state agency administrative action; or
    c. A local account is necessary in order for the state agency to comply with the provisions of NMSA 1978, §6-10-3: or
    d. The state agency is authorized statutorily to keep and maintain a deposit account; or
    e. The deposit account is established in a financial institution that has a signed depository and collateral agreements with the State.

3. State agencies must deposit monies received into authorized bank account by the close of the next business day after receipt. Withdrawals from accounts shall be initiated periodically such that the month end balance does not exceed the maximum established by the State Treasurer for that account.

4. Agencies must record cash transactions when they occur within the internal accounting system of record and perform a timely monthly reconciliation on these accounts.

5. If the accounting system used to record cash activity is not SHARE, the agency shall periodically, but no less than once a month and prior to the fifth workday of the subsequent month, prepare and submit *Journal Entries* to the FCD to record cash activity in SHARE.

E. Applicability

This policy statement applies to all state agencies.

FIN 2.9 Authority to Issue Warrants

A. Statement

The Secretary of the Department of Finance and Administration may authorize state agencies to issue warrants.

B. Authority

NMSA 1978, §6-5-3
NMSA 1978, §6-5-5
NMSA 1978, §6-5-9

C. Procedures

1. The Department of Finance and Administration has issued rules establishing the conditions that agencies must meet to issue warrants or obtain exemptions. State agencies shall annually submit a request seeking approval to issue warrants which shall include a detailed description of why efficiency or economy will be better served by the state agency issuing warrants or waving the prior submission of financial documents. Submissions are due each December 31 for the subsequent fiscal year. The specific requirements related to the application and conditions of approval are contained in Rule 2.20.6 NMAC.

2. Prepare a memorandum addressed to the Secretary of the Department of Finance and Administration requesting permission to issue state warrants. To be deemed complete, the submission must address the following using the Authority to Issue Warrants form:

    a. Describe warrant's business purpose (what will it be used for) and why efficiency or economy is better served by the agency issuing the warrant or by waiving prior submission requirements.
    b. Describe types of payments to be made if approval is granted.
    c. Provide an estimate of the number of warrants to be issued and value on a fiscal year basis. If ACH payments are made include those payments in the metrics as well.
    d. Provide a report outlining how the agency complied with the 11 control and accounting standards contained in Rule 2.20.6.8 NMAC.

D. Applicability

This requirement applies to all state agencies.

FIN 2.10 Obtaining Electronic Signature from FCD

A. Statement

Warrants drawn upon the state treasury shall be issued by the Secretary of the Department of Finance and Administration (DFA) and signed using the electronic signature of the Secretary. This procedure identifies the method agencies shall follow to obtain the DFA Secretary's electronic signature.

B. Procedures

For State Agencies Preparing Their Own Warrants

1. Send a written request to FCD to obtain the DFA Secretary's electronic signature for signing warrants. The request should include the following support:

    a. Written documentation that the requesting state agency has been assigned a warrant series by State Treasury.
    b. Agency attestation that warrants series will only be used for the specific purpose approved.
    c. A copy of the written approval from the DFA Secretary to issue warrants.
    d. A copy of the written internal control and safeguard procedures that will ensure that the DFA Secretary's electronic signature is not used for unauthorized purposes.

FCD

2. Obtain the signature of the authorized state agency representative(s) acknowledging receipt of the DFA Secretary’s facsimile signature.

FIN 2.11 Cancelling Warrants

A. MAP Standard

To safeguard assets, warrants to be cancelled should be handled in the same timely manner as cash receipts.

B. Purpose

This policy establishes the requirement that any warrant that has been lost, stolen, damaged, or issued erroneously be cancelled timely and that its amount be restored to cash. For warrants vouchered through SHARE, agencies must notify DFA when a warrant should not be redeemed. For agencies that issue their own warrants, agencies are responsible for formally notifying STO when a warrant should not be redeemed.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies shall cancel warrants that have been lost, stolen, damaged, or issued erroneously, as soon as possible. Agencies should monitor outstanding warrants monthly and submit the proper documentation to FCD to cancel or reissue warrants in a timely manner.

2. Before cancelling a warrant, agencies must verify the warrant has not been redeemed and/or reconciled in SHARE.

3. The fiscal agent bank should receive timely notification that a warrant has been cancelled to prevent payment.

4. DFA/FCD and STO shall refuse payment on any warrant for which a stop payment request or the fiscal agent bank register cancel has been received timely.

5. All stop payment requests from DFA/FCD shall be communicated directly to the State fiscal agent bank to ensure timeliness. All stop payments will then be processed through SHARE using the stop option when cancelling warrants. The stop pay will be sent to the fiscal agent bank through the positive pay file a second time. All stop payments requests from agencies to STO shall be made in writing.

6. State agencies that are authorized to issue their own warrants shall follow FCD procedures for cancelling warrants and STO policies and procedures when making stop payment requests. Refer to FIN 5.4 for the warrant cancellation process.

FIN 2.12 Warrant Issuance/Redemption

A. MAP Standard

To safeguard cash, the issuing state agency must notify the State Treasurer's Office (STO) that a warrant has been issued before the fiscal agent redeems the warrant.

B. Purpose

This policy establishes the requirement that agencies notify STO of warrants issued prior to their redemption.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. Warrants issued by the state can only be redeemed by STO.

2. STO shall pay to the fiscal agent all warrants issued in compliance with state statutes.

3. All state warrants must bear the facsimile signature of the cabinet secretary of the Department of Finance and Administration as registered with the Office of the Secretary of State.

4. FCD and other agencies authorized to issue warrants shall notify STO of all warrants issued on the same day that they issued the warrants.

5. Any warrant that is presented for payment before the issuing state agency reports it to STO or before it is recorded in SHARE should not be redeemed unless approved in writing by DFA and STO.

E. Applicability

This policy applies to all state agencies.

FIN 2.13 Stale Date/Escheatment of Warrant

A. MAP Standard

To safeguard assets, warrants that have been outstanding for one year should be stale dated/escheated and the cash re-established in a timely manner.

B. Purpose

This policy establishes the requirement that any warrant that has been outstanding for one year should be stale dated/escheated.

C. Authority

NMSA 1978, §6-10-57

D. Policy

1. Warrants that have been outstanding for one year after they become payable should be stale dated/escheated.

2. Before the warrant is marked stale dated/escheated in SHARE, the agency should verify the warrant is still outstanding at the State fiscal agent bank.

3. The escheatment process in SHARE will generate the accounting to restore cash to the agency and fund where the warrant was issued and create a liability to 241900 in the same fund.

4. The agency should clear the balance in 241900 every month and the balance should be zero at the end of the fiscal year.

5. The agency needs to determine if the fund is reverting or non-reverting:

    a. Non-reverting fund reclassify amounts to miscellaneous revenue (49690X).
    b. Reverting fund, funds should be researched and reverted according to law or legal agreement.

6. If the agency chooses to re-issue the payment, the re-issue must be done as a prior year payment. The current fiscal year budget will be used for the payment and should not be issued out of account code 241900.

E. Applicability

This policy applies to all state agencies.

FIN 2.14 Acceptance of Payment Cards

A. MAP Standard

This policy provides general guidance regarding the financial and legal requirements for acceptance of payment cards through the state's fiscal agent bank and any third-party processor.

B. Purpose

This policy establishes the requirement that agencies must seek approval from the State Board of Finance prior to accepting payment cards. This policy will ensure compliance with state rules, statutes, and payment card industry standards.

C. Authority

NMSA 1978, §6-10-1.2
2.60.8 NMAC

D. Policy

1. Agencies seeking payment card acceptance must submit a written request to the Board of Finance Director and receive written approval prior to entering into an agreement or accepting card payments. Approval to accept payment cards – defined as charge, credit, and debit cards - will be limited to the specific business purpose defined in the written request submitted to the Board of Finance Director. Requirements include compliance with payment card industry data security standards (PCI-DSS), establishment of a merchant services account with the state's fiscal bank, and Department of Information Technology approval. Refer to 2.60.8.8 NMAC for specific guidance on what must be included in this written request.

2. Any changes to the processing platform or third-party vendor, or additions of services for other business purposes, require submission of a new request.

3. The state's fiscal agent bank must always be the merchant acquirer for payment card transactions regardless of the platform. Where the State of New Mexico is not the merchant of record via the state's fiscal agent bank (i.e., where a merchant processes its own transactions in State of New Mexico-related transactions),the Board of Finance must approve the arrangement prior to implementation.

4. Agencies must always comply with all payment card industry data security standards for the duration of the period when cards are accepted (i.e., not just at the time of the original certification).

5. Procurement code rules and regulations must be followed when procuring third party payment solutions.

E. Applicability

This policy applies to all state agencies.

FIN 3 – Transfers

Policies and Procedures

Business Processes

Beginning of Document

FIN 3.1 Inter-Agency Transactions

A. MAP Standard

To ensure accurate reporting, all Inter-Agency transactions should be properly prepared, reconciled, and entered into SHARE.

B. Purpose

This policy establishes the requirement that all state agencies involved in interagency transactions must properly classify those Inter-Agency transactions to accurately reflect the financial events being recorded.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. For FCD to approve any Inter-Agency transaction, the following must be completed in the SHARE system.

Operating Transfers (OPR)

a. The initiating agency will create, attach supporting documentation, and submit the OPR journal entry in the SHARE system to be approved and posted by the Financial Control Division (FCD), SFRAB Unit, via workflow in accordance with the Operating Transfer instructions located on the DFA website under the Financial Control Division/ Information Management Bureau.

    i. The header business unit must be 39401 and can only be uploaded into the SHARE system through the Spreadsheet Journal Import process.

b. All affected agencies' transactions must be reflected on the OPR journal.

c. The initiating agency must upload the OPR journal via the Spreadsheet Journal Import into SHARE and edit to ensure that the journal status is "valid" and budget status is "valid" for all business units. The initiating agency must submit the OPR to activate workflow to obtain level 2 approval for all agencies impacted.

    i. If the OPR impacts numerous agencies, each agency's CFO or authorized personnel must approve the OPR journal within 48 hours in the SHARE system once the journal has entered into the agency's workflow queue.

d. When using other financing sources, both accounts are required for the receiving and transferring agency. When only one other financing account code is used in the OPR, documentation justifying the use of the non-other financing account code must be attached to the OPR journal.

i. The affiliate and fund affiliate are required on the transactions noted above. Ensure a one-to-one relationship exists between each accounting line. This will facilitate the SFRAB Unit's reconciliation process.

e. For business-type relationships between agencies that are elimination entries on the SFRAB level financial statements, agencies must use revenue and expenditure codes that end in "09", for the receiving and disbursing agencies. When only one "09" code is used in the OPR, documentation justifying the use of the non-other financing account code must be attached to the OPR journal.

i. Payments to a state enterprise fund or to a state internal service fund do not require the "09" on the revenue or expenditure codes, nor the affiliate and fund affiliate to be populated.

f. Except for Section 3, the affiliate and fund affiliate are required on the transactions noted above. Ensure a one-to-one relationship exists between each accounting line. This will facilitate the SFRAB Unit's reconciliation process.

g. Unless an exemption is specifically approved by the State Controller, all agencies must comply with the above policy.

2. Due to Other State Agencies and Due from Other State Agencies (CFR and OPR "Non-Cash" Accrual Journals):

a. Agencies may create CFR journals to establish a Due to Other State Agencies or Due from Other State Agencies throughout the course of the current Fiscal Year.

i. Preferred accounting practice is to have agencies pay monthly amounts as due instead of accumulating a Due To/Due From relationship.

ii. It is the agency's responsibility at year end to reconcile their remaining Due to Other State Agencies or Due from Other State Agencies balances and contact the corresponding agency to establish the other side of the entry, if there is a difference. The paying agency may initiate an OPR (Non-Cash) Accrual to establish the Due to Other State Agencies or Due from Other State Agencies on behalf of single or multiple agencies.

b. OPR – OPRs (Non-Cash) can be used to establish the Due to and Due from for single or multiple agencies in period 998. This entry can be done once the year-end deadlines affecting cash settlement have passed (Review Year-End Closing Instructions for further detail). The DFA/SFRAB unit prefers this process to ensure that both sides of the entries agree and have been established.

<u>CFR Journal</u>

a. During the year, Agencies can create CFR journals to establish a Due to Other State Agencies or Due from Other State Agencies without the corresponding journal from the related agency.

i. Agencies are still required to populate the affiliate and fund affiliate chart fields with the appropriate business partner for the transaction.

b. The SFRAB Unit will not post June or period 998 Due to Other State Agencies or Due from Other State Agencies entries that do not agree, do not have the corresponding journal entry attached or do not reference the corresponding journal number on the journal entry.

OPR "Non-Cash" Accrual Journal

c. OPR – OPRs (Non-Cash) can be used to establish the Due to and Due from for single or multiple agencies in period 998. This entry can be done once the year-end deadlines affecting cash settlement have passed. (Review Year-End Closing Instructions for further detail.) DFA/SFRAB unit prefers this process to ensure that both side of the entries agree and have been established.

d. The initiating agency must provide the necessary documentation within 48 hours from the time notified, to ensure the Due to Other and Due from Other State Agencies accrual is processed in a timely manner. If this deadline is not met, the CFO of the corresponding agency should notify the State Controller or the SFRAB Unit the information requested has not been provided.

e. The affiliate and fund affiliate are required on these transactions. Ensure a one to one relationship exists between each accounting line. This will facilitate the SFRAB Unit's reconciliation process.

    i. The initiating agency must upload the OPR journal into SHARE via the Spreadsheet Journal Import and edit to ensure that the journal status is "valid" and budget status is "valid" for all business units. The initiating agency must submit the OPR to activate workflow to obtain level 2 approval for all agencies impacted.

f. The header business unit must be 39401 and can only be uploaded into the SHARE system through Spreadsheet Journal Import.

    i. If the OPR Accrual impacts numerous agencies, each agency's CFO or authorized personnel must approve the OPR journal within 48 hours in the SHARE system once the journal has entered the agency's workflow queue.

Year-End Accruals (Journal Entries and Audit Journal Entries)

g. No Audit Entry (CFR, OPR, CSH journal entry) submitted for a Due To or Due From will be posted by the SFRAB until the appropriate corresponding agency's Audit Entry has also been submitted.

h. Each agency's Audit Entry must have all corresponding agency's journal ID in the description or a copy of said Audit Entry journal entry or include the corresponding agency CFO's confirmation of the interagency year end accrual. This confirmation can be done by email or fax.

i. If the Audit Entry is impacting numerous agencies, each agency's CFO must provide confirmation. Each agency's CFO or authorized personnel must approve the journal entry within 48 hours from workflow submission in SHARE.

j. By confirming the Audit Entry, each agency's CFO is agreeing to the validity of the transaction and that their respective agency has also accrued the interagency transaction using the proper accounts.

k. Agencies can utilize the OPR to accommodate year end accruals, and Due To and Due from entries. After the year-end dates for entries affecting cash, the OPR must have zero cash lines inferred on the entry. Utilization of the OPR will ensure the journal is processed through workflow, the transaction is recorded on both agencies' financials, and both CFOs approve the transaction in SHARE.

l. All agencies must comply with the year-end accruals policy, even those exempted from other sections of this policy.

3. No Inter – Agency transactions will be processed through Accounts Payable except for transactions to any of the enterprise/internal service funds below:

20800	New Mexico Compilation Commission
36100	New Mexico Department of Information Technology
35000	New Mexico General Services Department
36900	New Mexico State Commission of Public Records – Printing and Records (Fund 37100)
41800	New Mexico Department of Tourism – New Mexico Magazine
46000	Expo New Mexico
60600	New Mexico Commission for the Blind – Albuquerque Training Center & Business Enterprise Program
66200	Miner's Colfax Medical Center
77000	New Mexico Department of Corrections – Corrections Industries

4. Inter-Agency transactions can be processed through Accounts Payable for payments to agencies that utilize the Accounts Receivable (Grants Module) in SHARE. Payment to any of these agencies listed below will not be authorized unless the receiving agency has ensured in SHARE that the payment method is ACH and not a manual warrant. These agencies include:

34100	New Mexico Department of Finance and Administration
51600	New Mexico Department of Game and Fish
52100	New Mexico Department of Energy and Minerals
63100	New Mexico Department of Workforce Solutions
66700	New Mexico Environment Department
79000	New Mexico Department of Public Safety
80500	New Mexico Department of Transportation

E. Applicability

This policy applies to all state agencies processing transactions through SHARE.

FIN 3.1a Intra-Agency and Inter-Agency Transactions

A. MAP Standard

To properly identify, eliminate, and report intra- and inter-fund activity in the Annual Comprehensive Financial Report.

B. Purpose

This procedure addresses the requirements of identifying related-party transactions in the general ledger. To capture all intra- and inter-fund activity, the SHARE chart fields "Affiliate", and "Fund Affiliate" will be used to identify the related party in the financial transaction. The Affiliate and Fund Affiliate will be used to properly identify, eliminate, and report all appropriate intra- and inter-fund activity when deriving the government-wide financial statements for the Comprehensive Annual Financial Report.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. All financial transactions entered into SHARE that are intra- and inter-fund related will require the agency to enter the appropriate business unit in the Affiliate chart field and fund in the Fund Affiliate chart field for all general ledger accounts.

2. All applicable financial transactions will include the following:

    a. Manual Journal Entries
    b. Vouchers
    c. Deposits/Accounts Receivable

3. For all intra- and inter-fund asset and liability accounts (141900, 141999, 142900, 142901, 142999, 144900, 144999, 231900, 231999, 232900, 232999, 234900, 234999, and 251909), the Affiliate and Fund Affiliate must be added to the accounting string in the financial transaction.

4. All income statement (revenues, expenditures, and other financing sources and uses) accounts deriving from activities between agencies and intra-funds will require the Affiliate and Fund Affiliate to be added to the accounting string.

Transfers IN and Transfers OUT	
499205	Other Appropriations
499305	Other Financing Sources
499405	O/F Sources - Other Bond Proceeds
499605	Intra-State Wts-Other
499705	O/F Sources-STB Proceeds
499805	O/F Sources-GOB Proceeds
499905	Other Financing Sources
555100	Other Financing Uses
566100	Reversions To State General Fund
566109	Reversions - Interagency
General Fund Appropriation	
499105	General Fund Appropriation
577100	General Fund Allotments
Transfers IN and Transfers OUT - IntraFund	
499906	OFS Intra Agency
555106	OFU Intra Agency
Captial Asset Transfers	
499901	Transfer In of Capital Assets
555901	Transfer Out of Capital Assets

Revenue and Expenditure Accounts	
416509	Trade & Profess Permits-Inter
416909	Other Licenses & Permits-Inter
422909	Other Fees - Interagency
424109	Auditing Services - Interagency
424902	Other Intra State Services
425909	Other Services - Interagency
429109	State Chemist Fees - Interagency
429909	Other Current Services - Interagency
433109	License Plates - Interagency
434509	Admissions - Interagency
442209	Rent of Land/Bldgs - Interagency
451909	Federal Contract - Interagency
452009	Federal Indirect - Interagency
475109	Other Gifts - Grants - Interagency
496409	Environment Dept Fees - Interagency
496909	Misc. Revenue - Interagency
535209	Professional Svcs - Interagency
535309	Other Services - Interagency
535409	Audit Services - Interagency
535509	Attorney Services - Interagency
535609	IT Services - Interagency
543009	DGF Habitat - Interagency
545609	Report/Record Inter St Agency
545909	Printing & Photo - Interagency
546109	Postage & Mail Svcs - Interagency
546409	Rent Expense - Interagency
546709	Subscription & Dues - Interagency
546809	Employee Training/Educ - InterSt Agency
547309	Care & Support InterSt Agency
547450	Grants to Other Agencies
547909	Misc Expense - Interagency

5. Payments to third parties are not affected by this change. Only transactions between state agencies and other funds within the business unit are impacted by this policy.

6. Exemptions for including the affiliate and fund affiliate for transactions between agencies are for interactions between Internal Service Funds and Enterprise Funds.

E. Applicability

This policy applies to all state agencies processing transactions through SHARE except for transactions to any of the enterprise funds exempted below.

41800	New Mexico Department of Tourism – New Mexico Magazine (Funds 38200 and 91900)
46000	Expo New Mexico (Fund 19100)
60600	New Mexico Commission for the Blind – Albuquerque Training Center & Business Enterprise Program (Funds 02400 and 10460)
66200	Miner's Colfax Medical Center (Funds 10200, 98500, and 98600)
77000	New Mexico Department of Corrections – Corrections Industries (Fund 07700)

Or to any transaction to any of the Internal Service Funds exempted below:

35000	New Mexico General Services Department
36100	New Mexico Department of Information Technology

FIN 3.2 Authorizing Transfers

A. MAP Standard

To safeguard cash, cash transfers must be prepared to adhere to the procedures used to record the receipt and the outflow of money.

B. Purpose

This policy establishes that state agencies must approve all cash transfers for the funds they administer, except for those initiated by FCD.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies may not transfer monies from a fund that they do not administer without written authorization from the state agency legally authorized to administer the fund.

2. An exception to the above is that FCD may transfer money between funds to satisfy Inter-Fund payables or receivables or to correct errors.

3. Authorization for a cash transfer must appear on the processing document and be approved by someone authorized to sign the document as indicated on the Signature/Transaction Authorization form on file at FCD.

E. Applicability

This policy applies to all state agencies.

FIN 3.3 Operating Transfer Initiated by State Agencies

A. MAP Standard

This procedure addresses the requirements of Agencies for completing Operating Transfers.

B. Purpose

This policy establishes the requirement of state agencies to process OPR transactions using the appropriate procedure.

C. Authority

NMSA 1978, §6-5-2

D. Procedures

State Agency

1. Prepare the *Operating Transfer* journal in accordance with the completion instructions and verify the following data:

   a. State agency level 2 approval in SHARE must be the person authorized to approve on the Signature/Transaction Authorization form on file at FCD.

      i. Date entered must be the date the transaction is prepared and must be within the same month.

   b. The initiating agency must submit the OPR in SHARE via the Spreadsheet Journal Import to initiate workflow and complete level 2 approval.

   c. The following data must be complete:

      i. Initiating Business Unit Code. Document Number.
      ii. Fund Code. Business Unit.
      iii. Account chart field - (Expenditure/Revenue/Balance Sheet Account Code). Business Unit Name.
      iv. Amount from (Debit) or Amount to (Credit). Amount from Total.
      v. Amount To Total.

   d. If the entry has an interagency transaction the affiliate and fund affiliate are required.

   e. The Description Section must be completed, if applicable. Cite the law, regulation or rule authorizing the Operating Transfer. If not, then an explanation of the transaction must be indicated. Entries should be entered with corresponding debit(s) and credit(s); therefore, should have a one-to-one relationship.

f. Initiating agency of the Operating Transfer must upload the OPR into SHARE via the Spreadsheet Journal Import, ensure the OPR is journal status "valid" and budget status "valid" for all business units and submit the OPR to ensure the transaction is processed via workflow.

g. Supporting documentation submitted with the Operating Transfer must be complete and should properly justify the transfer. If an accounting line is comprised of more than one amount, attach a worksheet or calculator tape that indicates the total of the multiple amounts. This total should agree with amount reflected on the operating transfer.

h. Agencies must adhere to the document standards set forth in FIN 3.6 Journal Entry Completion.

<u>FCD</u>

2. Review the Operating Transfer journal entry for proper authorization; completeness and accuracy of data; and appropriateness of supporting documentation.
3. Compare the documents to the information on-line and verify the data is correct in SHARE.
4. If the information in SHARE does not match the supporting documentation, or if the supporting documentation and explanation are not adequate, deny the entry via workflow so the originating state agency can process the correction and resubmit the entry via workflow. Once corrected, the state agency may resubmit the *Operating Transfer via workflow* to corresponding agency and FCD.
5. If the information on-line is correct and matches the supporting documentation, then post the transaction in SHARE.

<u>State Agency</u>

6. If a journal entry is denied by FCD in SHARE via workflow, make all necessary corrections in the spreadsheet journal and re-upload the OPR into SHARE, initiate and reapprove level 2 approval within 5 business days of the denial.

E. Applicability

This policy applies to all state agencies.

FIN 3.4 Operating Transfer and Journal Entries Initiated by FCD

A. MAP Standard

FCD will initiate *Operating Transfers* to distribute allotments from the State General Fund, and to transfer money from state agencies when necessary to reimburse the payroll account administered by the FCD Central Payroll Bureau (CPB). FCD can also creating journal entries to correct errors or to process entries to ensure agencies comply with GAAP, GASB and other accounting requirements (MAPs, State Audit Rule, etc.).

B. Purpose

This policy establishes the requirement of FCD to process transactions using the appropriate procedure.

C. Authority

NMSA 1978, §6-5-2

D. Procedures

<u>FCD or CPB</u>

1. Complete the necessary Operating Transfer or Regular Journal Entry following applicable SHARE Instructions.
    a. Before input into SHARE, obtain the required authorization signature on the Operating Transfer form by someone authorized to sign the document as indicated on the Signature/Transaction Authorization form on file at FCD.
2. A copy of the Operating Transfer form needs to be attached to the Operating Transfer journal entry.

<u>State Agency</u>

1. Review the transfer.

E. Applicability

This policy applies to all state agencies.

FIN 3.5 Journal Entry Documents

A. MAP Standard

State agencies should use the Journal Entry (JE) process in SHARE to reclassify or adjust existing balances or to correct transactions that were previously posted.

B. Purpose

This policy establishes the requirement of state agencies to process transactions using the appropriate procedure.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must use the Journal Entry process to post transactions in SHARE that cannot be recorded using another type of process. The types of transactions that can be posted are:

   - Correcting entries
   - Reclassifying entries (payroll warrants, replacement warrants)
   - Adjusting entries
   - Annual closing entries
   - Restatement entries
   - Transfers to funds
   - Transfers to other agencies
   - Debt service transfers (payment on principal and interest)
   - Road fund payroll transfers
   - Audit entries

2. Journal Entries must be entered in SHARE either directly or by utilizing the Journal Entry Upload Process, which is required for JE source codes, CSH and OPR. Agencies are required to approve or deny journal entries within 48 hours of the journal entering the workflow queue.

3. Agencies must use only approved journal entry source codes when preparing journal entries to be posted in SHARE. The journal entry source codes and their purpose(s) are as follows:

CSH Must be used if the journal entry adjusts transactions between two or more funds (including sub-funds) within an agency. CSH entries must be prepared by agencies using the journal upload process. An agency cannot enter the cash lines on the journal entry but must allow the system to automatically create them.

- The header business unit must be 39401.
- The first line, Line 1, must be a “mock” line and contain business unit 39401 and account code 200000. A fund code is not required.

CFR Must be used if the journal entry adjusts transactions within the same fund/sub fund within an agency; there should be no cash lines on this journal entry. An agency is to submit all CFR journal entries to FCD for approval and posting.

AGY Used to adjust agency-specific Chart fields and transactions posted to the same fund and account. Budget reference and class codes can be corrected on a non-budgeted account code, such as balance sheet accounts. These entries must be approved and posted by the agency and are not submitted to FCD for approval. An agency must attach supporting documentation to this type of journal entry. No AGY source code journals are allowed in period 998.

OPR Must be used to transfer monies between state agencies (Business Units). All operating transfers are approved by FCD. OPR entries must be prepared by agencies using the journal upload process. The header business unit must be 39401.

ALT Used only by DFA to process allotments.

DFA Used only by DFA and the State Treasurer's Office (STO).

ALO Used only by DFA to process reversal of payroll accruals.

JOURNAL VOUCHER (AP) Used to correct chartfields at the AP voucher level within the same fund. Journal Vouchers cannot be processed if corrections cross funds.

4. Journal Entries that use the source codes of CSH, OPR and CFR source codes must be finalized and posted by FCD, not the agency.

E. Applicability

This policy applies to all state agencies.

FIN 3.6 Journal Entry Completion

A. MAP Standard

This procedure addresses the processing of *Journal Entries*.

B. Purpose

This policy establishes the requirement of state agencies to process transactions using the appropriate procedure.

C. Authority

NMSA 1978, §6-5-2

D. Procedures

State Agency

1. Prepare the Journal Entry. Use internal procedures to determine the codes and data needed for the Journal Entry, and complete and verify the accuracy of the following:

    a. Document Number – number cannot exceed 10 characters and must be unique. In the SHARE General Ledger module, Journal Entry/Create/Update Journal Entries you select Add New Value and leave default Journal ID Next to automatically assign a 10-digit numeric journal ID or if you prefer you can enter your 10 character journal ID. Note: If you are using NMS_spreadsheet journal you must assign 10 digit character Journal ID.

        i. If reversing a prior posted journal entry, the numbering sequence needs to be an "R”" as the first number and then the next digits of journal entry number as the remaining. Example: Reversing original journal 665FY22002 so the reversing entry number should be R65FY22002.

        ii. If now correcting that reversal, the numbering sequence needs to be a “C” as the first number and the next digits of the journal entry number as the remaining. Example: Correcting original Journal 665FY22002 that was already reversed so the correcting entry number should be C65FY22002.

    b. Enter the data required for the Journal Entry. CFR journal entries can either be created directly in SHARE or through the Spreadsheet Journal upload process. For CSH journal entries, they must be done using the Spreadsheet Journal upload. The header business unit needs to be 39401 and the first line needs to be the “mock” line of business unit 39401, no fund, and account code of 200000. OPR journal entries must be done using the Journal Entry Upload. The header business unit needs to be 39401 and the first line does not require a “39401 mock line”.

    c. Due to system edits, a CSH journal requires the “mock line” to be added. An OPR does not require the mock line.

   d. Attach the required supporting documentation to the Journal Entry in SHARE.

   e. State in the explanation box the justification for the Journal Entry. Entries should be entered with corresponding debit(s) and credit(s); therefore, should have a one-to-one relationship.

   f. Complete and submit the Journal Entry in SHARE to enter into workflow.

   g. Agency level 2 approver must approve the document within 48 hours of entering queue on-line through the Process drop down box found in the Lines Tab and selecting the "Submit Journal" option.

   h. If the Journal Entry affects revenue accounts, the commitment control button is defaulted to "Actuals, Recognize and Collected". This will ensure that any Revenue Budget Reports will accurately reflect revenue collected.

2. Document Standards.

   a. If the adjustment is a sum of several amounts, a calculation needs to be provided summing all applicable amounts including notations next to the amounts included in the calculation.

   b. All the pages of the journal entry support should read like a book in the scanned attachments.

<u>FCD</u>

3. Review the document for proper authorization; completeness and correctness of data; and appropriateness of supporting documentation.

4. If there are errors or if the supporting documentation requires further justification or explanation, deny the journal entry in SHARE, workflow will submit the denial to the agency for correction.

<u>State Agency</u>

5. If a journal entry is denied by FCD, make all necessary corrections and resubmit the document within 5 business days via workflow in SHARE.

<u>FCD</u>

6. After the agency corrects the errors and resubmits the journal entry and supporting documentation without errors, review the transaction in SHARE.

7. Compare the documents to the information on-line and verify the data is correct in SHARE. If the information in SHARE does not match the data on the Journal Entry, deny the document again in SHARE, workflow will then return it to the agency for correction.

8. If the information matches the data on the journal entry in SHARE, post the entry.

<u>State Agency</u>

9. Review all SHARE transactions to ensure the transaction was processed correctly.

E. Applicability

This policy applies to all state agencies.

FIN 3.7 General Accounting Procedures – Fiscal Year End Closing

A. MAP Standard

State Agencies should prepare the required budgetary and accounting transactions to close the fiscal year. The FCD will review the transactions for their propriety and process them. The FCD will be responsible for the closing process of the fiscal year in SHARE.

B. Purpose

This policy outlines the events and timing necessary for completing the posting of transactions needed to close the fiscal year.

C. Authority

NMSA 1978, §6-3-23 through §6-3-25, §6-4-6, §6-5-2.1 (A), (E), (L), §6-5-10
Rule 2.20.5.8 NMAC
Rule 2.20.2 NMAC

D. Policy

1. Budget –

   a. Agencies may request adjustments to their budgets to accommodate changes in their financial operations during the fiscal year. Allowable adjustments are defined in statute and in the General Appropriation Act and are subject to approval by the State Budget Division (SBD) and the Capital Outlay Bureau (for capital projects) of the Department of Finance and Administration. Budget adjustment requests must be entered into SHARE and submitted to SBD by the deadline established in the year-end guidelines.

   b. Multiple year operating and capital projects budgets remain valid as long as the appropriation period has not lapsed, and the budget has DFA approval. Agencies must reestablish the remaining balance of multiple year and capital projects budgets, which have legislative reauthorization.

2. Reversions –

   a. All unreserved undesignated fund balances remaining in the budget at the end of the fiscal year shall revert to the General Fund or the source fund.

   b. September 30th is the deadline for entering Operating Transfers in SHARE for reversions for the previous fiscal year.

3. Encumbrances –

   a. Certain encumbrances may be carried forward based upon the appropriation language from Legislation. Encumbered funds that do not revert at the end of the appropriation period must be re-budgeted in the new fiscal year. The amount re-budgeted shall equal the number of valid encumbrances. Agencies must re-establish all valid, outstanding encumbrances associated with multiple year and capital project budgets. Valid encumbrances for the new fiscal year must be re-established after July 1st.

b. Modifications to purchase orders to accommodate necessary increases or decreases shall be completed. Agencies must disencumber invalid encumbrances including current and prior year encumbrances. The deadline to submit change orders to FCD is established by the year-end guidelines.

c. Encumbrances for professional services should be committed only to the amount related to services that will be performed and accepted prior to June 30th.

4. Accounts Payable –

   a. Goods and services must be received by June 30th to qualify as accounts payable for the fiscal year being closed and meet compliance with the requirements of full accrual basis of accounting. Encumbrances for professional services should be committed only to the amount related to services that will be performed and accepted prior to June 30th.

   b. Payment vouchers for accounts payable as of June 30th may be submitted from July 1 through the date determined by FCD as required in the year-end closing instructions.

   c. Requests for Approval to Pay Prior Year Bills for invoices not submitted for payment by the deadline established by FCD will be accepted by FCD beginning on the date as required in the year-end closing instructions.

5. Cash Receipts –

   a. Cash receipts must be deposited with the State Fiscal Agent Bank before the close of business on June 30th to be credited to the fiscal year being closed. Cash receipts will be credited to the Fiscal Year based on when the monies post to the State Fiscal Agent Bank account.

   b. Per NMSA 1978, §34-6-37, all activity for the Judicial District Court accounts must be reported to STO by 12:00 noon of the deadline set by FCD in the year-end closing instructions. The Administrative Office of the Courts (AOC) provides further instructions at their annual AOC Chief Financial Officers' meeting.

6. Cash Disbursements –

   a. Payment vouchers to be processed prior to the fiscal year end must be submitted by the deadline set by FCD in the year-end closing instructions.

   b. Requests to replenish petty cash funds must be received by the date established by FCD in the year-end closing instructions.

7. Operating Transfers –

   a. An operating transfer requiring the exchange of cash between agencies and/or funds shall be submitted to FCD as required in the year-end closing instructions. Proper authorization from the designated fund administrators shall be provided with the operating transfer. The transfer shall be submitted in the form of a journal upload for transfers between agencies or be entered on-line for transfers between funds. (Refer to DFA Year-End Closing Instructions for further detail).

8. Correction Entries –

    a. Entries to reclassify or post transactions affecting the fiscal year being closed must be received by the deadline set by FCD in the year-end closing instructions.

9. Reports –

    a. The monthly verification of an agency's financial records to SHARE reports is considered a standard operating procedure. Each agency is responsible for running financial year-end reports. To facilitate fiscal year end closing, agencies shall verify and validate their financial records to SHARE reports by June 15th. Agencies are strongly encouraged to use the Validating the Trail Balance Manual that can be obtained from the FCD website under the Resource Information/Manuals web page, http://nmdfa.state.nm.us/Manuals.

10. Miscellaneous –

    a. Fund Maintenance forms – Fund codes which need to be added, changed, or deleted prior to the new fiscal year will require a Fund Account Maintenance form to be sent to FCD by the deadline established in the year-end closing instructions.

    b. Chart field Maintenance forms – Account chart fields that need to be added, changed, or deleted prior to the new fiscal year will require a chart field Maintenance form to be submitted using the SHARE Chartfield Request Process by the deadline established in the year-end closing instructions.

    c. Chief Financial Officer (CFO) – Agencies shall submit written designation of their CFO for the new fiscal year by the date established by FCD in the year-end closing instructions.

    d. Warrant Cancellations – Requests for warrants to be cancelled and not reissued shall be submitted to vendor.relations@dfa.nm.gov by the deadline set by FCD in the year-end closing instructions.

    e. Authorized Signatures – All agencies must have valid signature authorizations on file to sign contracts, payment vouchers, purchase orders, or other financial commitments. Signature authorizations currently on file with FCD and SBD are valid only for documents dated on or before June 30th. Signature authorizations for the new fiscal year are due at FCD by the date established by FCD in the year-end closing instructions.

    f. Positive Cash Balance – Funds that have been authorized by FCD to be drawn into a deficit during the fiscal year must be restored to a positive or zero balance by the second Friday of June to meet the statutory deadline of June 30th. An exception to this is the funds identified in the Cash Management Improvement Act (CMIA) agreement between the State and the Federal government.

    g. Payroll – Expenditures for the period ending June 30th will be posted to the fiscal year in SHARE on or after July 10th.

E. Applicability

This policy applies to all state agencies.

FIN 4 – Purchasing

Policies and Procedures

Business Processes

Beginning of Document

FIN 4.1 Purchase Orders

A. MAP Standard

Encumbrances for goods or services should be properly documented, fully funded, and be related to a specific procurement.

B. Purpose

This policy establishes that a *Purchase Order* must be used for all commitments for goods or services. The one exception to not having a Purchase Order is Agency to Agency transactions. Agency to Agency transactions should be established by a requisition since these transactions are exempt from the procurement code under NMSA 1978 Section 13-1-98.A.

C. Authority

NMSA 1978, §6-5-2
NMSA 1978, §13-1-98.A.

D. Policy

1. All commitments to purchase goods or services must be documented by a properly completed *Purchase Order* in advance for goods or services by an external supplier. Agency to Agency transactions should be established by a requisition in advance.

2. State agencies must enter the *Purchase Order* in the SHARE system to order goods or services and to support encumbrances for external suppliers. Agency to Agency transactions should be established by requisition.

3. All purchase orders and requisitions should be created in SHARE with the amount only box selected.

4. All purchase orders/requisitions should use invoice lines/rows, not distribution lines.

5. The first 30 characters of the purchase order and requisition line-item description field should contain specific details on the procurement. Please do not use serial numbers, contract numbers or other vague terms. Please also refrain from using abbreviations or acronyms.

6. When submitting a change order, the agency should include a comment in the header section (same place as the attachment) that details the amount of the change order, the reason for the change order, the initials of the individual creating the change order and date. These should be noted in chronological order by date.

FIN 4.2 Payment of Prior Year Expenditures

A. MAP Standard

To comply with state laws, rules and regulations, expenditures must be charged to the budget period in which the expenditure was incurred, unless permission to pay prior year's bills is obtained from FCD. This also means that current fiscal year funds cannot be used for purchases to be received in the following fiscal year.

B. Purpose

This policy establishes the requirement that state agencies must comply with to obtain written approval from FCD to pay prior year bills from a subsequent fiscal year's budget when the commitment is not encumbered or paid in SHARE in the correct fiscal year.

C. Authority

NMSA 1978, §6-5-2
NMSA 1978, §6-10-4

D. Policy

1. Unless approved in writing by FCD, prior year obligations that were not accrued or paid in the year the obligation was incurred, cannot be paid from General Fund appropriations or Other State funds in the subsequent fiscal year.

2. To request written approval for payment of prior year obligations that were not accrued 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, other state funds, bond or State General Fund capital outlay funds also requires approval to pay prior year bills unless a policy exemption is obtained from FCD.

3. Prior to granting approval, FCD shall certify there was sufficient budget in the state agencies' accounts at the end of the fiscal year to pay the obligation if the bill had been presented for payment prior to the end of that fiscal year.

4. State agencies exempt from processing *Purchase Orders* through FCD must certify in writing to FCD prior to paying a prior year obligation from current year budget, that there remained sufficient budget in the state agencies' accounts at the end of the fiscal year to pay the obligation had the bill been presented for payment prior to the end of that fiscal year.

5. Written approval from FCD or written certification for payment of prior year obligations against current year budget must be kept on file at the state agency for no fewer than three years from the date that certification was made or written approval was obtained.

6. To pay a prior year invoice, include a copy of the FCD approved request with the payment voucher and invoice. Regardless of the amount of the invoice, if it is paid within 30 days after the request is approved by FCD; do not encumber the amount, unless it is related to a Professional Services

Contract (PSC), Joint Powers Agreement (JPA), or Memorandum of Understanding (MOU). If the invoice has passed the 30 days granted in the FCD approval attach a letter from the State Agency CFO explaining why the payment was not made in a timely manner.

7. Approved Single-Year Appropriation Requests to Pay Prior Year Bills (RTPPY) must be coded to account 547999 – Request to Pay Prior Year Bills on the payment voucher or operating transfer, regardless of the type of service provided, except for Capital Projects & Multiple Year Appropriations.

E. Applicability

This policy applies to all state agencies.

FIN 4.2a Late Payments to PERA

A. MAP Standard

To comply with state laws, rules and regulations, expenditures must be charged to the budget period in which the expenditure was incurred, unless permission to pay prior year's bills is obtained from FCD. This also means that current fiscal year funds cannot be used for purchases to be received in the following fiscal year.

B. Purpose

This policy establishes the requirement that state agencies must comply with to obtain written approval from FCD to pay prior year bills relating to late payments of contributions to the Public Employees' Retirement Association.

C. Authority

NMSA 1978, §6-5-2
NMSA 1978 10-11-124(A) and 10-11-126(A)

D. Policy

1. PERA has determined that your Agency is responsible to remit payment for an employee's unremitted contribution share and interest for PERA service credits. PERA must provide your agency with a PERA letter of the unremitted contributions & interest for amount owed, along with PERA's Cost Schedule. Agency must remit payment to PERA for both employer and employee unremitted contributions and Employee and Employer Interest for the total amount owed. Agency uses the PERA Cost Schedule for Unremitted Contributions to calculate amounts to record to accounts indicated below, if applicable. Once amounts to appropriate account codes have been determined, your agency must submit an Operating Transfer to remit payment to PERA.

Account	Dr.	Cr.	Description
139901	X		Payroll Receivables (amount due from the employee)
521200	X		Employer's Share of Retirement Contribution
547999	X		Employer & Employee Contribution Share & Interest
547900	X		Current Interest
291900		X	Undistributed Receipts (Total amount due PERA)

Please note it's the agency's responsibility to remit payment for Employer unremitted contributions and Employee & Employee Interest. None of it should be charged to the employee. The employee is ONLY responsible to pay Employee contribution share.

2. There are 3 options for payment from the employee:

    a. The State Agency is paying all the employee's portion.

    b. Employed employee: If the employee is a current employee of your agency, you must request full payment of employee contribution amount owed. You can enter into a salary reduction agreement whereby the employee voluntarily agrees to a reduction in salary over a period, not to exceed twelve months, unless written permission for a longer period is obtained from the Director of the Financial Control Division. Agency HR personnel must contact DFA/Central Payroll to get this set up.

c. Employee Eligible for Retirement: If the employee is no longer employed by the State, or is preparing to retire from the State, your agency must request full payment from employee's contribution share owed. Agency may enter into a written agreement to reimburse the contributions amount the employees owes, the term of the agreement shall not exceed twelve months, unless written permission for a longer period is obtained from the Director of the Financial Control Division.

3. Your agency must collect from the employee the employee's contribution share and record to 139901 Payroll Receivables. Therefore, if the non-current employee does not voluntarily agree in writing to pay his or her share of the contributions, or the current employee does not agree to a voluntary salary reduction, your agency is required to seek a declaratory judgment that such amounts are owed by the employee and to use the garnishment process to enforce the judgment.

4. Prepare Operating Transfer in SHARE to remit payment to PERA

   a. Step 1. If any contributions should have been made in a prior fiscal year, prepare a Request to Pay Prior Year Bill (see section FIN 4.2) for the employer's and employee's contribution and interest portion. PERA's cost schedule can cover multiple fiscal years. A Request for Prior Year Bills is not required for each fiscal year. Only submit one request with all the years noted on the single request but only reference the last fiscal year for budget. Example: Agency owes for contributions 2014-2021 Agency will submit a 2021 Request to Pay Prior Year Bill.

   b. Step 2. After receiving Request to Pay Prior Year Approval, submit the Operating Transfer, attach numerous documents to the OPR including 1) Approved Request to Pay Prior year Request, 2) PERA unremitted contribution letter for employee, and 3) PERA Cost Schedule for Unremitted Contributions. If a payment plan was created the deposit or loan information is required also. PERA Accounting String: Business unit 36600, fund 60605, department code 0000000000, account code 291900, sub account 2919000003)

   c. Step 3. Employee contribution share - As payments are received, deposit payments received from the employee should be recorded in SHARE, crediting account code 139901 (Payroll Receivables).

E. Applicability

This policy applies to all state agencies.

FIN 4.3 Type of Purchase

A. Statement

State agencies must identify the type of agreement that will be used to make a purchase, or under which exemption the purchase will be made.

B. Procedures

State Agency

Select the *Purchase Order* and the type of origin under which the purchase will be made. Types of agreements and exemptions:

1. *Contract (CON)* – This origin is selected when the procurement is made under an existing price agreement, contract or purchase order issued by SPD. When this origin is selected, the contract must be sourced into the document on the contract tab.

2. *Direct Purchase Order (DPO)* – This origin is selected when the procurement is for tangible goods or general services $20,000 or less. These procurements must follow best obtainable price. DFA requires two quotes or one quote with a memo explaining how the agency followed best obtainable price. It is the sole discretion of FCD to approve or deny best obtainable procurements that do not contain two quotes.

3. *Exempt from the Procurement Code* (EXE) – This is selected when the planned procurement is listed in the "Exemptions from the Procurement Code", section of NMSA 1978, §13-1-98. State agencies must cite the section of the State Procurement Code and the specific item of the law that exempts the purchase from the requirements of the procurement code and provide appropriate justification documenting the exemption.

4. *Excluded from Central Purchasing Code* (EXC) –This should only be selected for Emergency Procurements approved by the State Controller or designee.

5. *Contracts Review Bureau (CRB)* – This is selected when an executive agency is procuring Professional Services in excess of $5,000, including gross receipts tax, in any given fiscal year from a single supplier.

6. *Information Technology Purchases (ITP)* – This is selected when the agency is procuring goods and/or services related to Information Technology except for executive agency professional IT services.

7. *For Encumbering Purposes Only (ENC)* – This is selected for the following types of purchases:

    a. For general services or tangible goods between $20,000 and $60,000. Three formal quotes are required.
    b. For rents, legal settlements, grants, scholarships, and other items that are not accommodated by any of the other origins.

8. *Professional Service Contracts (PSC)* – This is selected when a non-executive agency is procuring

professional services, or an executive agency is procuring professional services that do not exceed $5,000.

9. *Sole Source (SOL)* – This is selected when the agency is creating a purchase order for an approved sole source procurement.

10. *General Services Agreement (GSA)* – This is selected when a non-executive branch agency is leveraging a Federal GSA contract if allowed by the terms of the GSA. Executive branch agencies cannot use this origin.

11. All other SHARE origins should not be used.

C. Applicability

This policy applies to all state agencies.

FIN 4.4 Encumbrances

A. MAP Standard

Encumbrances must be recorded as soon as a commitment is made by the agency. To assure legal compliance, a commitment may not be entered into until it is determined that sufficient unexpended and unencumbered budget authority exists.

B. Purpose

This policy establishes the requirement that state agencies must record encumbrances timely and accurately, and that state agencies must verify sufficient budget is available prior to making the commitment.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies are required to follow FCD policies governing specific encumbrances unless a *Request for Policy Exemption on Encumbrances* is authorized in writing by the FCD Director/State Controller.

2. State agencies must verify there is sufficient budget available to fund the commitment before issuing a *Purchase Order* to a supplier, before receiving goods, and before allowing work to be performed.

3. When the amount charged to any expenditure account code is more than $5,000, state agencies that process documents through SHARE must prepare a *Purchase Order* for FCD to review and approve.

4. When the amount charged to any expenditure account is less than $5,000, state agencies that process documents through SHARE must prepare a Purchase Order for the agency's chief financial officer to review and approve.

5. All Purchase Orders in SHARE must include supporting documentation, regardless of cost.

6. Agencies must ensure encumbrances are stated at the full value of goods or services procured. Procurements cannot be divided as to circumvent the procurement code. Payments against split encumbrances will not be processed except as determined in FIN 4.13 – State Procurement Code Violations.

E. Applicability

This policy applies to all state agencies.

FIN 4.5 Exemptions from Compliance with Encumbering Policies

A. *Statement*

State agencies must comply with FCD encumbrance policies unless they receive a specific written exemption from FCD.

B. *Procedures*

State Agency

1. To obtain an exemption from encumbering policies:

   a. Complete the *Request for Policy Exemption* form to include fund, department, and account codes if applicable. Policy exemption requests must be numbered by fiscal year.

   b. Submit the form to the following email address; dfafcd.forms@dfa.nm.gov FCD Director/State Controller.

   c. Attach any appropriate supporting documentation or indicate the statute or regulation that justifies the exemption.

2. Approved policy exemptions must be attached to payment vouchers upon submission within SHARE.

FIN 4.6 Purchase Order $5,000 or Less

A. Statement

To process *Purchase Order*s for $5,000 or less, follow the procedures below.

B. Procedures

State Agency

1. Complete the *Purchase Order* in SHARE. Attach all supporting documentation to the purchase order.

2. Submit the dispatched *Purchase Order* to the supplier.

3. When processing at fiscal year-end, agencies must approve purchase orders and purchase order changes less than $5,000 on or before the deadline in the year-end instructions. Goods and services must be received by June 30th.

FCD

4. Purchase Orders $5,000 or less, are not approved by the FCD Audit Bureau.

State Agency

5. If the *Purchase Order* and supporting documentation are without errors, review the transaction in SHARE.

6. Compare the document to the information on-line and verify the data is correct in SHARE. If the information in SHARE does not match the *Purchase Order*, correct the information, and resubmit the transaction in SHARE.

FIN 4.7 Purchase Order for Purchases Exempt from State Procurement Code

A. Statement

To process a *Purchase Order* when the purchase is exempt from the procurement code.

B. Procedures

State Agency

1. Create the *Purchase Order* and select (EXE) "Exempt from the NM Procurement Code".

   a. For purchases exempt from the procurement code – cite the section of the State Procurement Code (NMSA 1978, §13-1-98) and the specific item of the law that exempts the purchase from the procurement code.

   b. Enter the completed Purchase Order on-line in SHARE and attach required supporting documentation to include justification of the exemption.

FCD

2. The FCD Audit Bureau will review all purchase orders submitted in SHARE that exceed $5,000.

3. If there are errors or if further justification is required, the FCD Audit Bureau will deny the document to the originating state agency for correction. The SHARE comment box in the purchase order will have the FCD Audit Bureau comments indicating the reason for the document being denied back to the state agency.

State Agency

4. If a purchase order or change order is denied by the FCD Audit Bureau, make all necessary corrections, and re-approve the purchase order. Individual revising the Purchase Order must make a comment/reason on changes made to include their initials and date.

FCD

5. If the *Purchase Order* and attached supporting documentation are without errors, review the transactions in SHARE.

6. If the on-line information and the date are correct in SHARE, the purchase order will be approved by the FCD Audit Bureau.

7. Once the document is approved in SHARE, the system will batch process the purchase order to dispatch.

FIN 4.8 Purchase Order Greater Than $5,000 but Less Than $60,000

A. Statement

To process a *Purchase Order* for general services or tangible goods greater than $5,000, but less than $60,000, follow the procedures below. These procedures are currently delegated to the state agency from the State Purchasing Department. Purchase orders $20,000 or less require two informal quotes and purchase orders between $20,000 and $60,000 require three formal quotes. This policy does not apply to professional services. Agencies must also ensure adherence to the State Use Act when procuring services.

B. Procedures

State Agency

1. Prepare a *Purchase Order*. Identify the item(s) to be purchased, select the appropriate origin, and attach any supporting documentation required. Submit the completed *Purchase Order* upon state agency's approval to FCD.

2. Pre-audit the *Purchase Order* for proper authorization, completeness, and correctness of data and appropriateness of all supporting documentation.

3. If a *Purchase Order* is denied by FCD, make all necessary corrections, and resubmit the document. FCD comments indicating the reason for the document being denied and State Agency response comments should not be altered or omitted.

FCD

4. The FCD Audit Bureau will review all purchase orders subject to FIN 4.8 submitted in SHARE.

5. If there are errors or if further justification is required, the FCD Audit Bureau will deny the document to the originating state agency for correction. The SHARE comment box in the purchase order will have the FCD Audit Bureau comments indicating the reason for the document being denied back to the state agency. Response comments should not be altered or omitted.

State Agency

6. If a document is denied by the FCD Audit Bureau, make all necessary corrections, and reapprove the purchase order document. Individual revising the Purchase Order must make a comment on changes made to include their initials and date.

FCD

7. If the *Purchase Order* and supporting documentation are without errors, review the transactions in SHARE.

8. If the on-line information and the date are correct in SHARE, the purchase order will be approved by the FCD Audit Bureau.

FIN 4.9 Purchase Order Encumbering Professional Service Contracts Less Than $60,000

A. Statement

To process *Purchase Order*s used for professional services contracting less than $60,000 (excluding tax) the procedures below must be followed.

B. Procedures

State Agency

1. Prepare a contract and enter it into SHARE using the Contracts Module, then complete a Requisition in SHARE for that supplier and the amount. Send Contracts Review Bureau (CRB) the contract, all necessary attachments, and the "Approved" Requisition. Agencies should note that small purchase professional services agreements cannot have a term beyond twelve (12) months. Multi-year PSAs should be procured using the Request for Proposals process. Non-executive state agencies are not required to send contracts to the Contracts Review Bureau. Executive agency Professional service contracts that do not exceed $5,000 (including tax) do not require CRB approval.

CRB

2. Review the contract as to compliance with DFA fiscal rules and policies and GSD procurement rules, regulations, and policies.

3. If the contract fails to pass the review, return the contract and all documents submitted with it to the originating state agency.

State Agency

4. Correct the errors and resubmit contract, attachments, and the "Approved" Requisition to CRB.

5. Monitor SHARE for contract approvals. Once contract has been "pre-approved" in SHARE by CRB, source the Requisition into a Purchase Order. The Purchase Order should use an origin of CRB for executive branch agencies if the procurement exceeds $5,000 (including tax). For non-executive branch agencies and executive procurements under $5,000, the PSC origin should be used.

CRB

6. CRB will process the Purchase Order and will route it to FCD for final approval in SHARE. Approval is routed directly to FCD for non-executive branch agencies.

FCD

7. Pre-audit the *Purchase Order* for proper authorization; completeness, correctness of data and appropriateness of supporting documentation. If the Purchase Order is without errors, approve the transaction in SHARE.

CRB

8. If the Purchase Order has been denied by FCD, return it to the state agency for corrections. If the Purchase Order has been approved by FCD, CRB will sign the contract, fully executing it. CRB return signed contracts to the state agency. Contracts should be attached to the PO as supporting documentation.

FIN 4.10 Purchase Order Encumbering Professional Service Contracts Greater than 60,000

A. Statement

To process *Purchase Order*s used for contracting professional services totaling more than $60,000 follow the procedures below.

B. Procedures

<u>State Agency</u>

1. Prepare a request for proposal (RFP) and a Requisition leaving the supplier name and address blank. Identify the services(s) to be purchased. Advertise the RFP in accordance with statute and regulations. Additional details on how to process an RFP can be found on the GSD website.

2. Select the supplier identified by the RFP responses. Prepare and submit the contract to the supplier for signature.

3. In the alternative, if the supplier is a sole source supplier, fill out the Sole Source Request for Professional Services Agreements and submit with the contract package to CRB. If utilizing a statewide price agreement, steps 1 and 2 can be skipped.

4. Prepare a contract and enter it into SHARE in the Contracts Module. Send CRB the contract and all necessary attachments. Non-executive agencies are not required to send contracts to the Contracts Review Bureau.

<u>CRB</u>

5. Review the contract as to compliance with DFA fiscal rules and policies and GSD procurement rules, regulations, and policies.

6. If the contract fails to pass the review, return the contract and all documents submitted with it to the originating state agency. The cause(s) for rejection should be documented.

7. CRB will review and approve the purchase order and send it to FCD for approval in SHARE.

<u>FCD</u>

8. The FCD Audit Bureau staff will audit, review, and approve the purchase order if there are no errors.

9. If there are errors or if further justification is required, the FCD Audit Bureau will deny the document to the originating state agency for correction. The SHARE comment box in the purchase order will have the FCD Audit Bureau comments indicating the reason for the document being denied back to the state agency.

<u>State Agency</u>

10. If a document is denied by the FCD Audit Bureau, make all necessary corrections, and re-submit the

purchase order for approval. Individual revising the Purchase Order must make a comment/reason on changes made to include their initials and date.

11. Purchase orders for contract procurements should contain a copy of the contract as an attachment.

<u>CRB</u>

12. Once the Purchase Order has been approved by FCD, CRB will sign the contract fully executing it. CRB will return signed contracts to the state agency. Contracts should be attached to the PO as supporting documentation.

FIN 4.11 Processing Procedures — Emergency Procurement

A. Statement

To process purchases under the Emergency Procurement section of the State Procurement Code (NMSA 1978, §13-1-127) follow the procedures below.

B. Procedures

State Agency

1. Determine if an emergency condition exists that requires the purchase of services or items of tangible property, or immediate construction, which cannot be met through normal procurement methods. An Emergency Procurement may only be made if needed immediately to: (a) control a serious threat to public, health, welfare, safety or property caused by a flood, fire, epidemic, riot, act of terrorism, equipment failure or similar event or (b) plan or prepare for the response to a serious threat to public health, welfare, safety or property caused by a flood, fire, epidemic, riot act of terrorism, equipment failure or similar event (please refer to NMSA 1978, §13-1-127).

2. Prepare an emergency request letter addressed to the FCD Director stating the emergency, identifying the category (a, or b, above) within which the emergency procurement is justified. The letter should originate from the chief financial officer of the requesting state agency (e.g. Department Secretary, Agency Director, or the Administrative Services Division Director). The emergency memorandum and supporting documentation must be submitted within five working days to FCD. All requests sent to the FCD Director must be numbered with fiscal year and the request number (Emergency Request Number). The letter should be submitted using the Emergency Procurement Form V2015 template found on the DFA website.

3. Complete a *Purchase Order*, select the "Excluded from Procurement through State Purchasing" (EXC) origin, select the Exclusion ID as 13-1-99-C, and along with the above memorandum, submit to FCD the completed *Purchase Order*. Refer to the Emergency Request Number in the Purchase Order.

FCD

4. If the procurement *has already occurred* and the FCD Director:

    a. Determines that the justification provided does meet the requirement of the emergency procurement section of State Procurement Code, process the document following normal procedures.

    b. Determines that the justification provided does *not* meet the requirement of the emergency procurement section of State Procurement Code, return the document to the originating state agency for processing under the violation of the procurement code procedures, which are presented in this chapter on *FIN 4.15 State Procurement Code Violations*.

5. If the procurement *has not yet occurred* and the FCD Director:

    a. Determines that the emergency procurement is justified, process the *Purchase Order* and submit a memo stating your request and indicating the Emergency Request Number for "special processing" (expedited).

b. Determines that the emergency procurement is *not* justified; return the *Purchase Order* to the originating state agency for normal processing.

State Agency

6. If exempted from processing *Purchase Order*s through FCD, comply only with the written justification for emergency procurement provision in the State Procurement Code (please refer to NMSA 1978, §13-1-128 for posting of emergencies).

7. The state agency in making an emergency procurement, shall:

    a. employ a competitive process to the extent practicable under the circumstances; and

    b. use due diligence in determining the basis for the procurement and in selecting a contractor; and

    c. shall not make an emergency procurement for the purchase or lease of heavy road equipment.

8. The state agency must also adhere to the publication and posting requirements set forth in *13-1-127(C)(D), NMSA 1978* and *13-1-128, NMSA 1978*.

FIN 4.12 Sole Source Procurement

A. Statement

Sole source procurement is covered under section §13-1-126 (NMSA 1978) of the Procurement Code. To procure goods and services using a sole source provider, the following procedures must be followed. Sole source procurement of goods, general services and professional services must be approved by GSD/SPD for all state agencies that are not excluded by the State Procurement Code from purchasing through the State Purchasing Agent. Sole source procurements cannot have a term more than twelve (12) months. Any exception to this term must be granted by the State Controller. Such exemption entitles the agency to extend a sole source contract but only if the proper amendment and laws, rules and policies are followed.

B. Procedures

State Agency

1. Submit a Sole Source Determination form to SPD along with all supporting documentation. Instructions and additional information can be located on the GSD/SPD website.

SPD

2. Review the request and decide whether to accept the request or require additional justification from the state agency. Post the required information on the SPD website and attach the required Sole Source Determination Form. Wait thirty (30) days pursuant to statute. After the sole source posts for thirty (30) days, the appropriate contractual method can be pursued by the agency. Any change in the term of the sole source, the parties to the sole source, the scope of work of the sole source or the amount of the sole source requires that the sole source be re-posted indicating the changes.

State Agency

3. Complete the *Purchase Order* and all other required documents including the proper agreement required, if any. Route to FCD the completed *Purchase Order,* a copy of the approval letter from the State Purchasing Division, General Services Department for the sole source procurement, and the completed contract must be attached as supporting documentation.

FCD

4. The FCD Audit Bureau will review all purchase orders submitted in SHARE.

5. If there are errors or if further justification is required, the FCD Audit Bureau will deny the document in SHARE to the originating state agency for correction. The SHARE comment box in the purchase order will contain the FCD Audit Bureau comments noting the reason for document being denied back to the state agency.

State Agency

6. If a document is denied by the FCD Audit Bureau, make all necessary corrections and approve the

purchase order document.

FCD

7. If the *Purchase Order* and attached supporting documentation are without errors, review the transactions in SHARE.

8. If the on-line information and the date are correct in SHARE, the purchase order will be approved by the FCD Audit Bureau.

9. Once the document is approved in SHARE, the system will batch process the purchase order to dispatch.

State Agency

10. Send the supplier the original *Purchase Order* and other required documents and file a copy.

FIN 4.13 State Procurement Code Violations

A. Statement

State agencies must use the following procedures to process *Purchase Orders* or *Payment Vouchers* after a violation of the State Procurement Code has occurred. Non-executive state agencies procurement violations are determined by the chief procurement officer, not the General Services Division.

B. Procedures

State Agency

1. The State Agency Department Secretary, the State Agency Director or the State Agency Chief Procurement Officer must submit to SPD a Justification memorandum addressing how, when, and why the State Procurement Code requirements were violated. The memorandum must be numbered with fiscal year and occurrence number. If the violation exceeds $100K, an audit may be required. Payment is not to be made pending resolution of the audit findings. Non-executive branch agencies must submit this letter to DFA, not SPD (skip to #3).

2. After receiving the letter back from SPD, send to the FCD Director the following:

    a. A request either for an encumbrance after the fact, or for direct payment to be made. The request should include the *Purchase Order*, the justification memorandum, and a *Payment Voucher (*if the request is also for payment). All memoranda must be numbered with the fiscal year and incidence number. For example, if the request is the first for the agency in fiscal year 2024, the memorandum should be numbered identified as “After the Fact Request 24-01”.
    b. Written documentation of the steps the state agency has taken to prevent violations of the State Procurement Code in the future.
    c. The request must be signed by the Department Secretary or the Director of the State Agency that violated the State Procurement Code.
    d. Supporting documentation showing that SPD has been informed of the violation for executive branch agencies.
    e. The FCD Director will determine the steps to be taken and inform the state agency.

3. If exempt from processing *Purchase Order*s through the State Purchasing Agent, submit to the FCD Director the following:

    a. A request to process a payment or to establish an encumbrance after the fact, even though a State Procurement Code violation has occurred. The request should accompany either a *Purchase Order* or a *Payment Voucher*.

    b. A justification memorandum, signed by the Department Secretary or the State Agency Director, stating when, why, and how the state agency failed to comply with the State Procurement Code.

    c. The internal control steps the state agency has implemented to prevent violations of the State Procurement Code in the future.

FIN 4.13.1 State Procurement Code Violations Training

A. Statement

State agencies that are in violation of the State Procurement Code as determined by the State Purchasing Agent or DFA, must identify all individuals involved with the procurement violation at issue. Those individuals are required to attend a State Purchasing Division training class as directed by the State Purchasing Agent as well as other training required by DFA.

B. Procedures

State Agency

1. The state agency's Department Secretary or the agency's Chief Procurement Officer must submit to State Purchasing Agent a list of all individuals involved with a procurement violation within 10 calendar days of identifying the potential violation.

2. Upon the State Purchasing Agent's determination of a procurement violation by the agency, the state agency Department CFO, the agency Chief Procurement Officer, and others identified as involved with the procurement violation process must register, attend, and pass the required training class as directed by the State Purchasing Agent within 90 calendar days of the determination letter, or on the first date the training class is offered. These same individuals must attend DFA Purchasing 101 within 90 days of the determination letter.

3. Upon the DFA determination of a MAPs violation by the agency, the state agency Department CFO, the agency Chief Procurement Officer, and those individuals identified with the procurement violation must attend a DFA Purchasing 101 training class within 90 calendar days of the determination letter, or at the first date the DFA training class is offered.

4. The State Purchasing Agent will document agency procurement violations, record the names of individuals identified as involved with the procurement violation, and record those individuals who register, attend, and pass the required training class.

5. Failure to do any of the following will be procurement violations as determined by the State Purchasing Agent:

   a. Identify all individuals involved with a procurement violation,

   b. Register all named individuals for the required training class,

   c. All named individuals must attend and pass the required training class.

6. SHARE security access may be revoked for any user that willfully violates MAPs or the procurement code.

FIN 4.13.2 Agency Certified Chief Procurement Officer

A. Statement

Under NMSA Section 13-1-95.2 (also see Section 1.4.1.94 NMAC), each State agency must register its Chief Procurement Officer with the State Purchasing Agent on the State Purchasing Division website. Failing to have a Certified Chief Procurement Officer and failing to register an agency's Chief Procurement Officer are violations of the procurement code unless the State Purchasing Agent grants an exception. Upon a determination of a procurement violation, the State Purchasing Agent may suspend authority for a Chief Procurement Officer to make purchases.

B. Procedures

State Agency

1. On or before January 1st of each year beginning in 2014, and each time a Chief Procurement Officer is hired, each state agency and local public body shall provide to the State Purchasing Agent the name of the state agency's or local public body's Chief Procurement Officer and information identifying the state agency's or local public body's central purchasing office on the State Purchasing Division website: http://www.generalservices.state.nm.us/statepurchasing/chief- procurement-officer-registration.aspx.

2. On and after July 1, 2015, only certified Chief Procurement Officers may do the following, except that person(s) using procurement cards may continue to issue purchase orders and authorize small purchases:

3. Make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; and

4. Issue purchase orders and authorize small purchases pursuant to the Procurement Code; and

5. Approve procurement pursuant to the Procurement Code.

State Purchasing Agent

6. The State Purchasing Agent shall maintain a list of the names of the Chief Procurement Officers reported to the State Purchasing Division by state agencies and local public bodies available to the public through its website.

7. The State Purchasing Agent shall offer a certification training program for Chief Procurement Officers each year that includes initial certification and recertification every two years for all Chief Procurement Officers. To qualify for Certification and Recertification, a Chief Procurement Officer must pass the required examination approved by the Secretary of General Services.

8. A person must be registered for the Chief Procurement Officer training within two months of hire for such position or hired for a position a part of which includes the duties of the Chief Procurement Officer. Any waiver of this requirement must be in writing and signed by the State Purchasing Agent.

9. Any waiver from policies governing Chief Procurement Officers must be in writing and signed by the State Purchasing Agent.

FIN 4.14 Failure to Encumber a Purchase

A. *Statement*

Under NMSA §6-5-3, the appropriate fund shall be shown by the division to be encumbered to the extent of the proposed expenditure. State agencies must use the following procedures to process After-the-Fact Purchase Orders or Direct Payment Vouchers while acknowledging the agency has a violation of MAPs. All requests must be numbered with the two-digit fiscal year and the incident number. If a procurement violation has occurred, DFA cannot approve a direct pay or after-the-fact until all procurement violation requirements have been met.

B. *Procedures*

State Agency

1. Direct Pay - no additional activity to occur, procurement is completed. Request for Direct Payment (no purchase order to be created). If the vouchered invoice represents 100% of the activity, it is not necessary to create a purchase order as there is no expected future activity. Prepare a request for direct voucher payment. Request should be numbered as indicated above.

2. After-The-Fact - work being performed, goods received, or additional work or materials to be provided by supplier. Create a Purchase Order for the total scope of work, funds should be encumbered for the full scope of the work activity or goods. Request After-the-Fact approval of the PO. Indicate why a PO was not prepared and executed prior to work being performed or goods received and number the request as indicated above.

3. The state agency CFO must submit to the FCD Director the Request for Direct Payment or Purchase Order and attach an After-the-Fact or Direct Payment Justification memorandum addressing why the PO was not prepared and executed prior to work being performed or goods received. Acknowledge that a MAPs violation has occurred and address:

   a. Monetary value of the procurement,
   b. How,
   c. When,
   d. Why, and
   e. What steps the state agency has taken to prevent violations in the future.

4. Payment is not to be made pending approval from FCD. Request should be numbered as indicated above.

FCD

5. Review the justification memorandum and either award or deny approval of the purchase.

FIN 4.15 Supplier Record

A. MAP Standard

To expend resources for only authorized purposes, encumbrances must represent contractual commitments for goods or services.

B. Purpose

This policy establishes the requirement that state agencies encumber only amounts that represent contractual commitments to a known supplier.

C. Authority

NMSA 1978, §6-5-3

D. Policy

1. Suppliers that provide goods or perform services for the state must provide their Tax Identification Number (TIN), using either the State of NM Substitute Form W-9, Federal W-9 form, or Form W-8 (foreign suppliers). SHARE will automatically assign a supplier ID.

2. State agencies that process Purchase Orders through FCD must use SHARE supplier IDs.

3. All Purchase Orders issued by state agencies must reference a specific supplier.

4. See FIN 5.14 Requesting the Addition or Update of a New SHARE Supplier for supplier set-up process.

5. State agencies that process transactions through SHARE must have FCD authorization to use a miscellaneous (non-specific) supplier ID. State agency may request the use of a miscellaneous supplier ID, by completing and submitting Policy Exemption request to the State Controller, for non-1099 reportable payments to a company or individual without a current SHARE supplier ID.

E. Applicability

This policy applies to all state agencies.

FIN 5 – Payables

Policies and Procedures

Business Processes

Beginning of Document

FIN 5.1 Cash Disbursement Methods

A. MAP Standard

To safeguard assets, cash should be disbursed using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes the disbursement methods available to state agencies.

C. Authority

NMSA 1978, §6-5-2

D. Policy

All disbursements of state monies shall be made using one of the following:

1. *Payment Vouchers/Warrants* – These documents are used for most of the cash disbursements including travel.

2. *Voucher Build/Warrants* – With authorization from the Financial Control Division (FCD), state agencies use these documents to make multiple payments with one voucher, e.g., for jury payment and refunds to hunters who submitted applications for hunting licenses but were not successful.

3. *Petty Cash Accounts* – State agencies use these accounts to make small purchases ($25 or less per transaction) without processing a *Payment Voucher*. Petty cash accounts are limited to $100 unless otherwise approved by the FCD Director or Deputy Director.

4. *Miscellaneous Special Accounts/Checks* – With authorization from the State Treasurer, state agencies can establish checking accounts at private banking institutions. State agencies establish checking accounts to disburse money if authorized by FCD. Other such accounts are used by state agencies (e.g., the judicial courts) to deposit money received prior to transferring it to the State Treasurer.

5. *Operating Transfers* – State agencies use these documents to move funds between state agencies when the payer and the payee both process their transactions through SHARE.

E. Applicability

This policy applies to all state agencies.

FIN 5.2 Disbursement Requirements

A. MAP Standard

To ensure legal compliance, which requires that resources be expended for only authorized purposes, state agencies must implement adequate internal controls and procedures for cash disbursements.

B. Purpose

This policy identifies criteria that state agencies must meet prior to disbursing state monies.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. All agencies utilizing SHARE should follow the cash disbursement procedures for completing documents used to disburse state monies.

2. *Positive cash balance* – State agencies must not make payments of state monies if the issuing fund does not have a positive cash balance that at least equals the proposed disbursement. State agencies that must expend funds first and then request reimbursement should request an exemption from this policy.

3. *Budget balance* – State agencies must ensure that payments are not processed unless the fund and program contain sufficient budget to accommodate the proposed payment. Disbursements processed through state custodial fund types and non-budgeted funds shall be exempted from this policy.

4. *Balance sheet accounts* – The processing of payments against balance sheet accounts will be allowed in custodial fund types. Payments against balance sheet accounts in all other fund types must be approved through a policy exemption approved by the State Controller.

5. *Supplier IDs* – Suppliers paid through FCD must be in the SHARE Supplier File and only include one legal name for the supplier, except in those instances where approval for the use of a miscellaneous supplier ID has been granted by FCD. Vouchers cannot include two suppliers as only one supplier ID is entered into the voucher. If payments are required to go through an intermediary, the agency issuing the payment must work with the intermediary and supplier to ensure warrant is not redeemed until all requirements have been met.

6. For each disbursement, state agencies must provide adequate supporting documentation, which includes, but is not limited to, an invoice, a copy of a state statute, a copy of a contract, a joint powers agreement, a memorandum of understanding, etc.

7. Revenue Account Codes – The processing of payments against revenue account codes will be allowed when court ordered or authorized for refunds. The payment vouchers are generated using the same revenue account code the fees were credited to. Payment against revenue accounts in all fund types must be approved through a policy exemption request approved by the State Controller.

E. Applicability

This policy applies to all state agencies, although the completion of documents for state agencies that do not process their financial transactions through SHARE may vary.

FIN 5.3 Distribution of Warrants

A. MAP Standard

To safeguard assets, internal controls must ensure that only authorized personnel have access to warrants.

B. Purpose

This policy establishes the requirement that access to warrants be limited to only authorized personnel.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must provide FCD with a list of the names and signatures of all personnel authorized to obtain warrants on their behalf. The authorized list must be signed and approved by a state agency CFO or Agency Head.

2. Personnel receiving warrants must sign all copies of the warrant registers, prior to accepting responsibility for the warrants.

3. State agencies must ensure they have received all warrants signed for at FCD. State agencies must notify the FCD Director or Deputy Director immediately upon discovery of any warrants distributed to the wrong state agency and/or any warrants signed for but not received.

4. FCD Distribution Center personnel must verify that anyone receiving warrants on behalf of a state agency is on the list of people authorized to receive warrants.

5. FCD Distribution Center personnel must mail all warrants to out-of-town state agencies on the same day the warrants are produced. ACH advice notices, if printed, will be mailed on a weekly basis. Distribution Center personnel are responsible for mailing the correct warrants to each of the state agencies. State agencies should report any errors in warrant distribution to the FCD Director or Deputy Director.

6. State agencies that receive warrants through the mail should verify all warrants listed on the warrant register. The warrant register should be signed and returned to the FCD Distribution Center by email within 5 business days of receipt of warrants. All agencies must be approved in advance by the FCD Director or FCD Deputy Director to be on the mail out program.

7. State Agencies must notify the Distribution Center immediately of mailing address changes by sending an updated address to DFADistribution.Center@dfa.nm.gov.

E. Applicability

These policies apply to FCD Distribution Center Personnel and to all state agencies that receive warrants from FCD.

FIN 5.4 Warrant Cancellations

A. MAP Standard

To ensure the accurate and complete recording of warrants that require cancellation after their initial issue and distribution.

B. Purpose

This policy establishes the requirement that the outstanding status of an issued warrant be verified prior to its cancellation and affirmed by affidavit prior to a reissue. This policy is only for warrants that have not been redeemed. This policy applies to Accounts Payable warrant cancellations. See FIN HR 8.2 Payroll "A" warrants for payroll warrant cancellations.

C. Authority

NMSA 1978, §6-5-2.1 (J), (S), §6-5-5, §6-5-7, §6-10-57
Rules 2.20.5.8C and 2.20.6 *NMAC*

D. Policy

1. Upon the determination that an issued warrant requires cancellation, the warrant's possession must be determined, and redemption status must be verified immediately through SHARE or the fiscal agent bank. Agencies should monitor outstanding warrants on a monthly basis and research those warrants that have been outstanding for more than 30 days.

2. If the State is still in possession of the warrant, then the warrant can be cancelled.

3. If the State Does Not have possession of the warrant and a duplicate warrant is needed, the supplier must fill out the DFA Affidavit for Duplicate State Warrant form and have it notarized.

4. If the State Does Not have possession of the warrant and it will need to be completely cancelled, the agency CFO must sign the DFA Affidavit for Duplicate State Warrant form.

5. Based on the warrant's redemption status, the appropriate notice for the warrant's cancellation must be completed:

    a. Type A - Cancel and Reissue – Cancels the original warrant and issues a new warrant to the same supplier for the same amounts (exact replica). There will be no changes to the original voucher, payment method, or accounting string. Warrant Cancellation form and a copy of the warrant or a copy of the DFA Affidavit for Duplicate State Warrant.

    b. Type B - Cancel/No Reissue – Cancels the original warrant and reverses all accounting entries using the original accounting string. Warrant Cancellation form including a copy of the warrant or a copy of the DFA Affidavit for Duplicate State Warrant

6. The Warrant Cancellation form along with a copy of the Affidavit or Warrant should be emailed to vendor.relations@dfa.nm.gov. On the subject line of the email list the Business Unit and "Warrant

Cancellation". Hard copies are no longer accepted. The agency must destroy the original warrant once the cancellation has been posted/processed. The agency should retain other original documents pursuant to state retention records.

7. The State Treasurer shall refuse payment on a non-redeemed warrant for which a stop payment request or notice of Warrant Cancellation has been received timely.

8. Processing Warrant Cancellations after the year-end deadline:

    a. Agencies are no longer required to submit journal entries along with Type B cancellations for warrants issued in the prior fiscal year. Instead, agencies should wait until year-end, assuming the fund is reverting, and revert these funds to the State General Fund. If the funds are non-reverting, agencies will prepare a journal entry debiting the original voucher's accounting string and crediting Miscellaneous Revenue.

E. Applicability

This policy applies to the Department of Finance and Administration and all state agencies with approval to issue warrants as authorized by NMSA 1978, §6-5-9.

FIN 5.5 Processing Procedures – Altered or Forged Signature Affidavit for Duplicate State Warrant

A. Statement

Warrants that have been paid by STO must be reissued under the *DFA FCD SHARE Altered or Forged Signature Affidavit for Duplicate Warrant* form. This procedure defines how to reissue a warrant and request that a duplicate warrant be issued.

B. Procedures

State Agency

1. Once it has been determined that the warrant has been redeemed by someone other than the original payee, the agency must provide to the original payee, the *DFA FCD SHARE Altered or Forged Signature Affidavit for Duplicate Warrant* form with original signatures and original notarization. The State's Fiscal Agent Bank may also require additional forms to be completed.

2. If the principal (original payee) is a resident of New Mexico, then the *Bond for Duplicate State Warrant* form must also be completed.

3. If the principal (original payee) is not a resident of New Mexico, then the principal applying for the duplicate warrant must also purchase a "bond" with their insurance company, for the period of six (6) months, for the amount of the redeemed warrant to indemnify the State from all financial losses arising from the unauthorized diversion of the original warrant and the issuance of the duplicate warrant. If a resolution has not been reached within the six months timeframe, then an additional six (6) months bond must be purchased.

4. Send the completed *DFA FCD SHARE Altered or Forged Signature Affidavit for Duplicate Warrant* form, the *Bond for the Duplicate State Warrant* (if applicable) or the Bond issued to the State of New Mexico (if applicable) to FCD. Agencies authorized to issue their own warrants must follow the same process outlined under FCD.

FCD

5. Audit the *DFA FCD SHARE Altered or Forged Signature Affidavit for Duplicate Warrant* form, the *Bond for Duplicate State Warrant* (if applicable), the Bond issued to the State of New Mexico (if applicable).

6. Send copies of documents to DFA attorney for review and advice on further processing.

7. Once the approval from the DFA attorney is given to proceed, notify STO that the warrant was redeemed by someone other than the principal, and ask that the fiscal agent bank return the warrant to the last endorser.

8. When STO has been notified by the fiscal agent bank, that the monies have been returned and deposited to the appropriate warrant account, FCD will then process a deposit to credit the agency's account.

9. FCD will notify the agency when their account has been credited.

FIN 5.6 Employee Service Awards

A. MAP Standard

To ensure that resources are expended only for authorized purposes, state agencies must have internal controls to verify that all disbursements are authorized by law.

B. Purpose

This policy establishes criteria for the purchase of employee service awards.

C. Authority

Article IV, Section 14, New Mexico Constitution (Anti-Donation Clause)
NMSA 1978, §6-5-2

D. Policy

Items purchased for use as employee service awards must comply with the following criteria:

1. The item must not have any intrinsic value or any worth to anyone but the recipient and its cost should not exceed $75.

2. The item must not represent a financial award to the recipient, possess exchange or sale value, nor provide any purpose other than as an award to the recipient. For example, clocks, watches, artwork, gift cards, and gift certificates should **not** be used as employee service awards. Plaques of nominal value are potentially allowable.

3. Affixing the State seal to, or engraving, an item of more than nominal value does not, per se, reduce its value.

4. Employee service awards are considered miscellaneous expenses and must be charged to account code 547900.

E. Applicability

These polices apply to all state agencies.

FIN 5.7 Disbursements in Advance

A. MAP Standard

To ensure legal compliance and to ensure that resources are expended for only authorized purposes, state agencies should establish and adhere to adequate internal control procedures.

B. Purpose

This policy identifies standard criteria that state agencies must meet prior to any advance disbursement of state money. An advance disbursement occurs when the state pays for goods or services prior to their delivery and/or receipt.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. Advance payments are allowed under the following circumstances:

    a. Advance payments are allowed for employee travel when state agency policies authorize advances.

    b. Advance payments are allowed when the supplier requires payment in advance if approved in writing by the State Controller.

    c. Advance Payments should not cross fiscal years unless approved by the State Controller.

2. State agencies must provide adequate supporting documentation for all payment advances. The documentation may include the following:

    a. *Travel Advances (Pre-Paid style voucher)* – State agencies must submit an *Itemized Schedule of Travel Expenses* form, completed by the traveler two weeks prior to travel date.

    b. *Subscription Notices* – FCD may accept subscription notices if they state that advance payment is required.

    c. *Registration* –When paying in advance for registration, a copy of the registration notice must be submitted.

    d. *Rental Agreements* – State agencies may submit rental agreements to support advance payments. However, FCD will only pay one month in advance for buildings and up to three months in advance for storage space if the rent due for the storage area does not exceed $100 per month.

    e. *Airfare* – To take advantage of lower prices, an agency may purchase airfare tickets in advance prior to travel dates.

3. All payments in advance, except those involving travel or rent of buildings, require approval from the FCD Director or Deputy Director.

E. Applicability

This policy applies to all state agencies, although the approval requirements for state agencies that do not process their financial transactions through SHARE may vary.

FIN 5.8 Travel Reimbursement for Per Diem, Actual Expenses, and Mileage

A. *MAP Standard*

To ensure legal compliance, disbursements for travel must be made in accordance with state laws and travel regulations.

B. *Purpose*

This policy identifies the rules that state agencies must follow when paying for travel, per diem, reimbursement of actual expenses, and for mileage.

C. *Authority*

NMSA 1978, §6-5-2
Rule 2.42.2 NMAC

D. *Policy*

1. Public officers or employees who travel shall receive a per diem amount or shall be reimbursed for actual lodging, meal expenses, and mileage in accordance with the rules and regulations of the state. Please note, if gratuities (tips) are allowed by the agency head, the maximum amount of reimbursement is 20% per transaction. The 20% tip calculation should be based on the total cost of the expense for all service-oriented offerings as allowed by the agency head.

2. Travel reimbursement forms must be itemized at the lowest level (costs per day) in chronological order. Reimbursement forms/vouchers should be submitted to DFA for approval no later than 14 business days after the travel was completed.

3. The Itemized Schedule of Travel Expenses (ISTE) form published on the FCD website must be used in its original form without changes. Agencies must use the most recent version of the form as published by DFA.

4. Non salaried public officers (board, committee members) must provide certification of attendance (roll call sheet, minutes of the meeting, etc.) for each meeting attended. Boards or commissions must also notate on the ISTE whether the public officer attended the meeting virtually or in person as well as how long the meeting lasted.

5. For out of country travel where the exchange rate is not listed on the purchase receipt, DFA recommends using the exchange rates posted on the OANDA website for reimbursement requests. https://www1.oanda.com/currency/converter/.

E. *Applicability*

This policy applies to all state agencies.

FIN 5.9 Travel Advances

A. MAP Standard

To ensure legal compliance, disbursements for travel advances must be made in accordance with state laws and travel regulations.

B. Purpose

This policy identifies the rules that state agencies must follow when disbursing travel advances.

C. Authority

NMSA 1978, §6-5-2
Rule 2.42.2 NMAC

D. Policy

1. Travel Vouchers for travel advances must not be submitted more than two weeks prior to the travel date unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

   a. Prepaid/Recoup vouchers must have a prepaid reference with the first day of travel that match the same date and format; YYYYMMDD.

2. State agencies must reconcile and clear all outstanding travel advances in a timely manner. This should be done within two weeks after the travel has been completed.

3. Agencies should refer to the SHARE Collaboration website for job aides related to processing advance travel.

4. Warrants issued for 80% advance travel cannot be canceled through the normal warrant cancellation process. Agencies needing to cancel 80% warrants must contact DFA for guidance.

E. Applicability

This policy applies to all state agencies.

FIN 5.10 Payment Vouchers

A. Statement

This procedure addresses the processing of Payment Vouchers including travel reimbursements.

B. Procedures

State Agency

1. Prepare the *payment voucher* in accordance with the following guidelines:

    a. Assign the document a unique number that is 8 characters in length. FCD recommends using the system generated number (NEXT).

    b. Enter the supplier ID on the Payment Voucher. If the supplier ID is not in SHARE, request the supplier be added. The agency should ensure the address and location (remit to) information are correct in relation to the invoice and purchase order.

    c. Reference the correct encumbrance document if one exists. Documents requiring an encumbrance will not be processed without a Purchase Order reference.

    d. If multiple lines are needed on the voucher, invoice lines should be used instead of distribution lines.

    e. The payment message box on the payments tab must be populated for all vouchers entered directly into the AP module. This message should include the invoice number, account number or some sort of identifying information that will help the recipient identify the reason for payment.

    f. Attach the required supporting documentation in PDF format (single file preferred). All supporting documentation must be legible. This documentation must include approved policy exemptions and white papers, if applicable.

2. Invoices should not be split into multiple payments. Please refer to the year-end closing instructions for paying invoices that cross fiscal years.

3. An Invoice should contain the supplier's name and remit to address, invoice or account number/date, dates of goods received, or services provided and current dollar amount due.

4. Accounting dates should match on each line of the voucher and should be dated in an open accounting period. Invoices paid in July for the prior year must have an accounting date of June 30th.

5. Invoices must contain a unique invoice number to prevent duplication of payment. The agency should request unique invoice numbers from suppliers, as necessary. If a unique number is not available, the agency may request an exception from the State Controller to use the account number as the invoice number. In the absence of a unique invoice or account number, the agency should follow the recommendations below for creating a consistent invoice numbering system.

a. Travel Reimbursement numbering system:
    i. 20180406 80% Advance
    ii. 20180406 20% Recoup
    iii. 20180406 100% Travel
    iv. Invoice date should be the signature date on the ISTE form.

b. If duplication issues arise, please get pre-approval from DFA Audit staff for a more unique invoice number that follows a standard method. This will be used in front of the original invoice number.
    i. Partial Payment Voucher (PP)
    ii. Correction $ Amount Voucher (C)
    iii. Journal Voucher (JV)
    iv. Correction Journal Voucher (CJV)
    v. Repayment/Reissue Voucher (RPV)
    vi. Accrual Voucher (AC)
    vii. Prior Year Voucher (PY)
    viii. Archived Voucher (A)
    ix. Second Travel (ST)

c. All other invoice numbering systems should follow the guidelines outlined in the year-end closing instructions.

6. It is the responsibility of the agency CFO to ensure all invoices being paid are true and valid obligations of the State. State agencies must have internal controls in place to prevent duplicate and overpayments to suppliers. FCD will not monitor every individual invoice numbering convention for accuracy.

7. Once properly entered, the Agency should approve the voucher in SHARE.

   <u>FCD</u>

8. SHARE Workflow routes vouchers to the FCD Audit Bureau for approval and posting. Documents that do not follow FCD guidelines will be denied back to the agency for corrections.

   <u>State Agency</u>

9. If a document is denied by FCD, make all necessary corrections, and re-approve the document in SHARE.

10. The agency should monitor submitted payments daily. If a warrant or ACH payment has not been produced 48 hours after the voucher received FCD Audit Bureau approval, the agency should contact FCD.

C. Applicability

This policy applies to AP Vouchered payments disbursed using either the B ACH or B Warrants.

FIN 5.11 Special Processing

A. MAP Standard

To ensure legal compliance, state agencies must have internal controls for handling expedited payments.

B. Purpose

This policy establishes requirements for issuing warrants outside of normal processing procedures when the need arises to expedite payments.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. "Special Processing" produces a warrant by the same day if FCD approves the request submitted by the CFO. State agencies must follow FCD's "special processing" procedures and submit error-free documents for processing. Requests for special processing do not apply to payments made electronically (ACH).

2. Special Processing should originate from the chief financial officer of the requesting state agency, (e.g., Department Secretary, Agency Director, or the Administrative Services Division Director) if one of these persons cannot sign the requests, prior approval from the FCD Director or Deputy Director must be obtained before submitting such requests for special processing.

3. The requests must be approved by the FCD Director or Deputy Director. If denied, the payments will be included in regular processing.

State Agency

4. Prepare a memorandum addressed to the FCD Director or FCD Deputy Director requesting the special processing of a document. The request should include the following:

    a. Why the state agency believes that the document merits a deviation from normal processing procedures.

    b. Why the state agency did not process the document in a timely manner to avoid special processing.

    c. What is the acceptable processing date for the document?

5. Approval signature of the chief financial officer of the requesting state agency, e.g., Department Secretary, Agency Director, or the Administrative Services Division Director; if one of these cannot sign the requests, prior approval from the FCD Director or Deputy Director must be obtained before submitting the request for processing.

6. Requests for special processing of manual warrants must be received by 10:00 AM for consideration.

FIN 5.12 Policy Exemption

A. Statement

This procedure provides state agencies with guidance on how to request a policy exemption related to processing disbursement documents through FCD. Please note, DFA cannot provide an exemption to rule, law, or statute.

B. Procedures

State Agency

1. To request an exemption from FCD's processing policies, prepare a Policy Exemption Request form. This form is used only for requests made to FCD.

2. The request should include the following:

   a. In the first section of the form, cite the policy, procedure, or memorandum from which an exemption is sought and note the requirement(s) related to the request.

   b. In the second section of the form, state the exemption requested and the justification for the request. If necessary, state agencies may attach justifications and explanations to the form when submitting it to FCD.

   c. Provide the fund, business unit and department value for which the exemption is requested.

   d. Provide the date(s) for which the exemption is requested.

3. Obtain the Cabinet Secretary or Agency Director signature on the request.

4. Submit the completed *Request for Policy Exemption* to FCD.

5. Approved policy exemptions must be attached to all purchase orders and payment vouchers upon submission within SHARE.

FIN 5.13 Establishing Petty Cash, Miscellaneous Change Funds, and Miscellaneous Special Accounts

A. Statement

These procedures provide policies and procedures to establish, update and close petty cash accounts, miscellaneous change funds or miscellaneous special accounts.

B. Procedures

The request to establish, update or close a petty cash account, miscellaneous change fund, or miscellaneous special account should be made by the agency chief financial officer addressed to either the FCD Director or FCD Deputy Director. All petty cash, change funds, and miscellaneous special funds shall be restricted to a designated state employee. Funds are to be reconciled monthly and independently reconciled annually and upon transfer of custody. CFO's must establish written procedures to ensure compliance and safeguarding of funds.

Establish Miscellaneous Petty Cash (MPC), Change Funds (MCF) and/or Special Accounts (MSA):

<u>State Agency – Chief Financial Officer</u>

1. Submit a written request to establish Miscellaneous or Special accounts. The request will include the following:

    a. Type of account to establish – petty cash, change fund or special.

    b. The intended use of the account.

    c. Amount of the account. The standard limit for petty cash or change fund accounts is $100. Petty cash per transaction limit of $25. Any amount requested outside of the standards must be justified in the written request. Special Accounts require the dollar amount expected to flow through the account.

    d. Because the custodian must be a current state employee, the written request must include the name of the custodian for the account, the employees HCM ID number and the state agency address.

    e. A statement to certify the state agency has internal control procedures in place to safeguard the cash on hand and bank account information; chain of custody is secured and only accessed by the custodian of record.

2. In addition, all Miscellaneous Special Accounts must also include:

    a. Written authorization from the State Treasurer to open a bank account at a private banking institution.

    b. Written approval from the DFA Secretary granting the state agency's authority to disburse money directly from the bank account along with an exemption from vouchering through FCD.

   c. Written procedures developed by the state agency to report to FCD and the State Treasurer all money disbursed from the bank account and the budget accounts affected.

3. Each request must be for one account only and must include all required documents as described above.

Reconciling Miscellaneous Petty Cash (MPC), Change Funds (MCF) and/or Special Accounts (MSA):

<u>State Agency – Chief Financial Officer/Lead Accounting Officer</u>

4. Every month each bank account must be reconciled, and that month's activity booked via a journal entry in SHARE. This should be completed by the end of the following month. (*For example, May 2023 activity must be reconciled with journal entries posted by June 30, 2023.)*

   a. The supporting documentation for the journal entry must contain the bank statement and an explanation of all revenues and expenditure being recorded.

   b. The balance in the account code corresponding to the special account must equal the balance on the bank statement adjusted for timing differences at the end of each month.

Updating Miscellaneous Petty Cash (MPC), Change Funds (MCF) and/or Special Accounts (MSA):

<u>State Agency – Chief Financial Officer</u>

5. Submit a written request to update Miscellaneous or Special accounts. The request will include the following:

   a. The SHARE supplier ID, supplier short name, agency address and custodian name.

   b. Specific information to update:
      i. Custodian – provide previous and new custodian name and HCM IDs
      ii. Address – previous and new addresses

   c. Increase/Decrease – provide amount and reason for update.

   d. Current reconciliation of the account signed by previous and new custodian establishing change of custody.

6. Each request must be for one account only and must include all required documents as described above.

Closing Miscellaneous Petty Cash (MPC), Change Funds (MCF) and/or Special Accounts (MSA):

State Agency – Chief Financial Officer

7. Submit a written request to close Miscellaneous or Special accounts. The request will include the following:

   a. The SHARE supplier ID, supplier short name, agency address and custodian name.

   b. Reason for closing the account.

   c. Authorized amount of the account.

   d. Documented proof the account is closed:

      i. SHARE deposit journal showing the amount deposited to account 104900 for petty cash, account 103900 for change fund and account 102900 for special accounts.
      ii. Special accounts must also include a copy of the letter sent to the State Treasurer indicating the account is closed.

FCD

8. Review the request and promptly return the request if denied with reason(s) for the denial. If approved, FCD will notify the agency when the request is processed and provide additional information, such as supplier and supplier short name IDs.

Agency

9. Submit payment voucher to FCD using the account 104900, "Petty Cash", account 102900, "Cash in Authorized Bank Accounts" for Miscellaneous Special Accounts or 103900, "Other Cash" for Miscellaneous Change Funds. This entry will establish the account in SHARE.

FIN 5.14 Requesting an Addition or Update of a SHARE Supplier

A. *Statement*

Adding a supplier or employee to the SHARE supplier file requires a NM Substitute W- 9, Federal form W-9, or Federal Form W-8, as appropriate, and adherence to the following the procedures.

B. *Procedures*

State Agency Supplier Relations Point of Contact (POC)

1. Search SHARE by Tax Identification Number (TIN)/Employee ID, supplier name and address to determine if supplier exists. If supplier exists, review the entire file to determine if an update is needed.

2. If supplier does not exist in SHARE or needs to be updated, the supplier must submit a current W9/W8.

3. Only the employee, supplier, or entity representative can fill out the W-9/W-8. State Agency personnel should never fill out the W-9/W-8 for the supplier or employee. DFA will only accept an original wet signature or verified digital signature (Adobe, DocuSign, etc.).

4. The agency Point of Contact (POC) should submit the completed W-9/W-8 form and State of New Mexico Substitute W-9 Coversheet to Vendor.Relations@dfa.nm.gov. The email subject line will include supplier name and supplier ID if applicable. The documents should be submitted as a single PDF. The agency must verify the accuracy and legitimacy of all W9s/W8s before submitting them to DFA to prevent fraud. If fraud is detected, the agency must notify DFA and the State Auditor immediately.

5. Payment method will default to system check if ACH section is not signed (or optional ACH form is missing). A voided check or bank letter must also be provided for ACH requests.

   a. If direct deposit is requested, documentation showing account ownership must be provided. This document must have the supplier's name, bank name, routing number and full account number. Acceptable forms include a memo from the bank on letterhead, a direct deposit authorization form, or a voided check. Handwritten information, and deposit slips are not acceptable forms of documentation.

6. If the Agency requires immediate W-9 processing, the word "RUSH" should be added to the email subject line and a short narrative should be included explaining why the change needs to be rushed.

Department of Finance-Financial Control Department, Supplier Relation

7. Review the W-9/W-8 form to ensure it is complete and accurate.

8. If errors are found, list the errors and provide guidance on how to correct the W-9 on the W-9 Correction Form and email the form and W-9/W-8 to the Agency POC and copy the Agency CFO.

9. If no errors are found during review, add the supplier/employee to the SHARE supplier file.

10. If a supplier is requesting to be set up for ACH payments or if an existing supplier is requesting a change to ACH information, an independent verification is mandatory. Payments will be defaulted to warrant/check until FCD verifies ownership of the bank account. DFA will not approve the use of a bank account until it has been verified.

FIN 5.15 Minor Purchases of Food, Refreshments, and Similar Consumable Purchases

A. MAP Standard

To ensure that resources are efficiently and judiciously used for authorized purposes only, state agencies must have internal controls to verify that all disbursements are authorized by law.

B. Purpose

This policy establishes criteria for the purchase of small amounts of food, refreshments, snacks, and similar purchases under the current individual per diem rate.

C. Authority

Article IX, Section 14, New Mexico Constitution (Anti-Donation Clause)
NMSA 1978, §6-5-2

D. Policy

Small amounts of food, refreshments, snacks, and similar purchases must comply with the following:

1. The purchases must be related directly to an event (training, conference, etc.) that is part of the agency's mission and regular course of business. This does not include staff meetings, lunches or other events not directly related to the mission of the agency.

2. The purchases must not exceed the current partial day per diem rate for meals per attendee at the event.

3. Certification of per person expenditure must accompany the invoice when submitted to FCD for payment.

4. In those cases where the amounts would exceed those established in this standard, a memo requesting approval of purchase will be required. The State Controller will approve or deny these requests based on the justification submitted by the agency in relation to the guidelines specified in the "Authority and the Proprietary of Expenditures" white paper, which can be found at http://www.nmdfa.state.nm.us/White_Papers.aspx.

5. Such purchases are considered miscellaneous expenses and must be charged to the correct expenditure chart of accounts (400) and account code (547900).

6. Purchases must be infrequent.

E. Applicability

These polices apply to all state agencies.

FIN 5.16 State Purchasing Card

A. MAP Standard

The Department of Finance & Administration (DFA) administers the State Purchasing Card (P-Card) program.

B. Purpose

This policy establishes the requirement for all agencies to request access and updates to the purchasing card program through the Purchasing Card Administrator at DFA.

C. Authority

NMSA 1978, §6-5-2, §6-5-9-1

D. Policy

1. All agencies that take part in the Procurement Card Program must adhere to the policies and procedures posted on the DFA website. Inclusion in the state procurement card program is at the sole discretion of DFA.

2. All requests for changes or additions to the P-Card must be submitted via e-mail to the Purchasing Card Administrator at DFA. This includes, but is not limited to:

    a. Credit limit adjustments (to be requested on agency letterhead and signed by agency CFO)
    b. New administrators
    c. Merchant Category Code (MCC) code additions/removal

3. The Procurement Code must always be followed when using the P-Card for purchasing. Failure to follow the Procurement Code and/or MAPS will result in a violation of the Agency and/or Cardholder Agreements. A Policy Exemption should be submitted stating the Procurement Code will be followed for all purchases regardless of cost. This must be submitted annually by the date set forth in year-end closing instructions.

4. A separate Policy Exemption should be submitted stating that all supporting documentation will be kept at the agency. This must also be submitted annually.

5. DFA reserves the right to suspend or revoke purchasing card privileges for non-compliance with the DFA P-card policy.

6. Processing Payment Vouchers through AP will require the message box on the payments tab to list the corporate account number.

7. Post-audit packets must be submitted electronically to the P-card Administrator at FCD by the last business day of the month following the month in which charges posted to the agency's P-card statement.

8. Agencies interested in participating in the P-card program must follow these steps:

a. Agency contacts State P-card Administrator for information on program
b. P-card Administrator briefs prospective Agency on the P-card program; briefing includes:

    i. Discussion of the goals and benefits of the P-card program
    ii. Overview of P-card program and product
    iii. Metrics of New Mexico's P-card program
    iv. How the P-card program works
    v. Requirements for an Agency to participate in the P-card program

9. If Agency wishes to proceed, Agency formally requests participation in P-card program from DFA (request must be on Agency letterhead).

10. If approved, agency must complete the following steps.

    a. Reviews *DFA* P-card Policies and Procedures
    b. Prepares Agency set of P-card Policies and Procedures that is consistent with Agency Agreement and DFA Policies and Procedures. These must be submitted to DFA for review and approval.
    c. Identifies participants (i.e., Agency P-card Administrator and P-cardholder[s])
    d. Prepares two policy exemption requests which enable P-card use:
        i. Exemption from encumbrance requirements (i.e., no purchase order required). MAPS FIN 4.0 – Purchasing, 4.4 Encumbrances (NMSA 1978, 6-5-3
        ii. Exemption from attaching supporting documentation (i.e., invoices and receipts) into SHARE.MAPS FIN 5.0 – Payables, 5.2 Disbursement Requirements (NMSA 1978, 6-5-2)
    e. Signs DFA-Agency P-card Agreement
    f. Cardholders sign employee Cardholder Agreement
    g. Submits signed application documents to DFA for review and approval.

11. Upon completion of above steps, DFA implements P-card program for the Agency.

E. Applicability

This policy applies to all state agencies.

FIN 6 – Asset Management

Policies and Procedures

Business Processes

Beginning of Document

FIN 6.1 Acquiring Capital Assets

A. MAP Standard

State owned property, plant, and equipment should be acquired in accordance with State laws and rules.

B. Purpose

This policy establishes the requirement that state agencies should be aware of and follow the procedures required by state rules, State Procurement Code, and Generally Accepted Accounting Principles as they apply to acquiring and recording capital assets.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.1 NMAC

D. Policy

1. State agencies shall acquire capital assets in accordance with:

    a. Unless exempted by State Statute, specifically Section 15-8-7 NMSA 1978, Purchase of state vehicles; and the State Procurement Code Section 13-1-28, agencies shall adhere to the applicable administrative code, NMAC 1.5.3.8 Procurement Processes and Vehicle Standards. In addition, agencies are required to notify the Transportation Services Division of the General Services Department of all vehicle purchases.

    b. State Rules promulgated by the General Services Department, Rule 2.20.1 – Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls. Board of Finance Rule 1.5.23.8 NMAC regarding real property acquisitions.

    c. Federal Rules and Regulations, if acquired with federal funding.

    d. The General Services Department (GSD) must be notified in writing (electronic format) of assets being acquired for real property (land) and buildings.

    e. Capital assets should be purchased using the following account codes:

535800	Capital Professional Contracts
548100	Land
548110	Land – Improvements
548200	Furniture & Fixtures
548300	Information Tech Equipment
548400	Other Equip
548600	Animals
548700	Library & Museum Acquisitions
548800	Auto & Aircraft

548801	Railway Equipment
548810	Spaceport Equipment
548820	Spaceport Equipment
548900	Bldgs & Structures

2. A State-owned capital asset is defined as:

   a. Land, easements, building, building improvements, vehicles, machinery and equipment, information technology equipment, works of art, historical treasures, and all other tangible and intangible assets that are used in operations and have a useful life of greater than one year.

      i. Capital Asset Expenditure: Capital Asset Expenditures are funds used to acquire or improve physical assets such as property, buildings, or equipment. The statutory threshold is $5,000 per Section 12-6-10 NMSA 1978. Expenditures below $5,000 that are incurred as part of a building construction or improvement will be considered capital asset expenditures as those aggregate expenditures determine the final value of the asset.

      ii. Furniture and Fixtures: Furniture and fixtures are defined in 2.20.1 NMAC as assets that are not permanently fixed to land but are the content of a building.

      iii. IT Equipment: IT equipment, per 2.20.1 NMAC, includes software, computers and peripherals, and all equipment related to electronic communication.

      iv. Machinery and Equipment: Machinery and equipment refers to movable items including vehicles, generators, copy machines, and other large equipment.

      v. Completed Project: A project will be considered completed when: Substantial Completion documentation is completed and accepted, Certificate of Occupancy has been issued and/or the capital asset has been placed in service, Turnover and Acceptance packages have been received, Operations and Maintenance Manuals have been received and accepted, and Training of systems to Operations and Maintenance staff has been completed.

      vi. Closed Project: A project will be considered closed when: a complete operational acceptance of the delivered product/project has been verified, an inspection with the A/E and project manager to verify final acceptance and delivery of product/project is done on the 11th month of the 1 year warranty, final payments to the vendors have been made, a reconciliation of capital appropriations/budgets has been completed, all liens have been released, and verification of contractual items, such as, land title and deed (if applicable) has been completed.

      vii. Construction in Progress (CIP): This refers to accumulation of asset costs until the asset is placed in service. A CIP item is not depreciated until the asset is placed in service; normally, upon completion, a CIP item is reclassified, and the reclassified asset is capitalized and depreciated.

      viii. Non-capital Expenditures: Expenditures that are for maintenance and repairs are considered non-capital expenditures and are not depreciated. These expenditures are typically under $5,000; however, if the aggregated expenditures are greater than $5,000, and are deemed mostly maintenance, they will be treated as non-capital expenditures.

b. Expected to be used or held beyond the fiscal year in which it was acquired; and

c. Acquired by purchase, transfer, trade, donation, lease-purchase agreement, or construction.

3. State agencies should assign each capital asset to a specific location and assign responsibility for each capital asset to a custodian for that agency.

4. State agencies shall mark or tag each capital asset at the time it is acquired with a unique number that identifies the agency and the specific asset.

E. Applicability

These policies apply to all state agencies.

F. Procedures

State Agency that utilizes the Asset Module of SHARE

1. Asset acquired through Purchasing, Project Costing, or another state agency through Asset Transfer in the Asset Module of SHARE.

2. Asset item inspected and put into service. Asset item is tagged.

3. Enter asset into the Asset Management Module in SHARE.

4. Non-capitalized assets less than $5,000 should be tracked separately and not in the Asset Management module.

5. If asset is capitalized and depreciable, update Asset Management and generate general ledger (GL) journal for asset addition. The GL is updated.

State Agency that does NOT utilize the Asset Module of SHARE

6. Asset acquired through Purchasing, Project Costing, or another state agency.

7. Asset item inspected and put into service. Asset item is tagged.

8. Asset entered into agency's external asset management system.

9. Non-capitalized assets less than $5,000 should be tracked separately. For non-capitalized assets less than $5,000, update external system.

10. If asset is capitalized and depreciable, update external system and generate SHARE general ledger (GL) journal for asset addition. The GL is updated.

FIN 6.2 Asset Depreciation

A. Statement

Depreciation of assets should be recorded in compliance with generally accepted accounting practices using the straight-line method based on the useful life recommendations below:

Asset Classes	Depreciable Life	Recommended Life
Land Improvements	10 to 20 Years	Same
Buildings and Structures	5 to 40 Years	Same
Tenant Leasehold Improvements	15 Years	Same
Infrastructure	25 to 30 Years	Same
Data Processing Equipment and Software	3 to 8 Years	3 Years
Machinery and Equipment	5 to 20 Years	5 Years
Office Furniture and Fixtures	5 to 7 Years	5 Years
Motor Vehicles and Motorized Equipment	3 to 15 Years	Same
Cars and Light Trucks		5 Years
Buses		8 to 10 Years
Heavy Equipment		15 Years

B. Purpose

This policy establishes the requirement that state agencies should be aware of and follow the procedures required by state rules, State Procurement Code, and Generally Accepted Accounting Principles as they apply to acquiring and recording capital assets.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.1 NMAC

D. Procedures

<u>State Agency that utilizes the Asset Module of SHARE</u>

1. The manager submits Useful Life, In Service Date, and Depreciation convention to State agency CFO for approval to prevent inappropriate depreciation expenses.

2. State agency CFO approves, and state agency enters into Asset Management.

3. Depreciation is calculated by SHARE.

4. Generate GL journal for Depreciation Expense monthly.

<u>State Agency that does NOT utilize the Asset Module of SHARE</u>

5. The manager submits Useful Life, In Service Date, and Depreciation convention to State agency CFO for approval to prevent inappropriate depreciation expenses.

6. State agency CFO approves, and state agency maintains in own system the asset and depreciation.

7. Depreciation is calculated either manually by agency or by external system.

8. Generate GL journal for Depreciation Expense in SHARE FULLACCRUE ledger, Period 998. The GL is updated.

A. Applicability

These policies apply to all state agencies.

FIN 6.3 Asset Transfer

A. Statement

To record transfer of assets both within a state agency and between state agencies.

B. Purpose

This policy establishes the requirement that state agencies should follow the procedures required by state rules, State Procurement Code, and Generally Accepted Accounting Principles as they apply to acquiring and recording capital assets.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.1 NMAC

D. Procedures

<u>State Agency that utilizes Asset Module in SHARE</u>

1. Asset is physically transferred.

2. If the asset is transferred within the same state agency, enter the Custodian/Location/Organization change into Asset Management.

3. If asset is transferred within the same state agency, to a different bureau, and is capitalized, generate GL journal via month end process for asset transfer or adjustment. The GL is updated.

4. If the asset is transferred within the same state agency, agency maintains internal inventory to reflect the transfer.

5. An agency transfer occurs when an active asset in the custody of a bureau within an agency change either by organizational responsibility or is physically moved from one location to another but remains within the same agency.

6. The agency will obtain and attach a memo approving the transfer from the approving the transfer from the appropriate agency management of both divisions and/or bureaus.

7. Upon receipt of a memo approving the transfer to the individual or manager responsible for asset custody the agency record will be updated in the asset management system following agency established data entry procedures.

8. The agency will accurately reflect the transfer in the financial reports of the department. Any journal entries required to reflect the net effect of transfers between funds will be reviewed by the agency for posting at year-end to ensure proper SFRAB representation of the transfer information.

9. <u>Transfer of assets between state agencies.</u>

10. A transfer between state agencies occurs when an active asset in the custody of an agency changes either by organizational responsibility or is physically moved from one location to another. When the transfer involves different state agencies and different funds, a transfer is treated as a disposal by the transferring agency and an addition by the receiving agency. Example: Agency A transfers used office equipment to Agency B.

11. Per state audit rule the transferring state agency begins Asset Disposal process and receiving state agency begins Asset Addition process.

12. The transfer will be reflected as a reduction in the valuation of assets for the sending agency and an increase in the valuation of assets for the receiving agency.

13. Upon receipt of the State Auditor office notification approving the transfer to the individual or manager responsible for asset custody the agency record will be updated in the asset management system following agency established data entry procedures.

14. Asset is physically transferred.

15. Transferring state agency originates the journal entry process using an OPR source code in SHARE in the FULLACCRUE ledger. Transferring agency will reflect a transfer-out of a capital asset (555901) and receiving state agency will reflect a transfer-in of a capital asset (499901). The journal entry in SHARE to move the asset from one agency to another agency must be completed no later than August 31st. The OPR shall include the Purchase Voucher, Invoice, and Purchase Order from Agency with the capital purchase budget authority.

16. For examples and additional guidance, refer to the SFRAB training material posted on the DFA website or contact the SFRAB accountant assigned to the agency.

<u>State Agency procures an asset on behalf of another agency (this includes assets that an agency purchases, but title belongs to GSD):</u>

17. Agency A has the legislative budget authority to purchase an asset on the behalf of another agency. Agency A will have no ownership of the asset.

18. Agency A will procure the asset no later than June 30 and ensure Agency B receives the asset no later than June 30. The journal entry in SHARE to move the asset from one agency to another agency must be completed no later than August 31st.

19. Agency A will ensure in the general ledger of SHARE on the fund financials the expenditure is shown having been purchased by Agency A (Agency A has the legislative budget authority).

20. In the Government-wide financial statements, Agency A will recognize the asset(s). Then Agency A will execute a transfer of the asset(s) (account code 555901) to Agency B via OPR transfer in SHARE FULLACCRUE ledger. Agency B will recognize a transfer-in of a capital asset (account code 499901).

21. Agency B will report the asset(s) on their government-wide financial statements from the FULLACCRUE ledger (asset will not be reported in the fund financial statements). In the note disclosure for capital assets, Agency B will reflect an addition or a transfer-in and have a note

disclosing these assets were transferred and by which agency.

22. Agency A will also reflect in the Capital Asset notes of their financial statements the transfer of the asset(s) to Agency B.

23. For examples and additional guidance, refer to the SFRAB training material posted on the DFA website or contact the SFRAB accountant assigned to the agency.

E. Applicability

These policies apply to all state agencies.

FIN 6.4 Recording and Reporting Capital Assets

A. MAP Standard

State agencies shall record and report state owned capital assets in accordance with state law, state rule, and Generally Accepted Accounting Principles.

B. Purpose

This policy establishes the requirement that state agencies record and report state-owned capital assets in accordance with state law, state rule, and Generally Accepted Accounting Principles.

C. Authority

NMSA 1978, §6-5-2, §13-6-1
Rule 2.20.1 NMAC

D. Policy

1. In the accounting records, state agencies shall record additions to capital assets at the time acquired, and betterments of existing capital assets at the time the betterment is completed.

2. State agencies should establish procedures and accounting processes to record additions, dispositions, transfers, and deletions of capital assets. Statutorily guidance for establishing these procedures and processes can be obtained in NMSA 1978 §12-6-10, §13-6-1, and §13-6-2 and in Rule 2.2.2.10 NMAC.

3. All capital assets of the state, including infrastructure, must be recorded in the accounting records and SHARE. Examples of infrastructure are roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

4. All capital assets of the state, other than those reported in proprietary funds, permanent or fiduciary funds shall be reported in the Government Wide Financial Statement (GWFS). These capital assets are to be recorded in SHARE in the FULLACCRUE Ledger.

5. Assets belonging to proprietary funds, permanent, or fiduciary funds shall be reported in the balance sheet of those funds. These capital assets are to be recorded in SHARE in the FULLACCRUE Ledger including agencies that use the Asset Management (AM) Module in SHARE.

6. Capital assets shall be recorded at the time of acquisition at cost (including ancillary costs) as determined by the amount paid for purchased assets or at cost of construction for constructed assets, or at estimated fair market value for donated capital assets. Transfer of assets from another agency shall be recorded at “net cost” of the asset at the time of transfer, not historical cost.

7. Capital assets should be reported using the following asset classes:

Asset Class	Account
Land	181900
Non-Depreciable Land Improvements	181901
Depreciable Land Improvements	181905
Non-Depreciable Mineral Rights	182000
Non-Depreciable Art and Other	182100
Non-Depreciable Infrastructure	182200
Buildings and Improvements	182900
Infrastructure	183400
Aircraft, Autos and Trucks	183900
Machinery and Equipment	184900
Farm Equipment	184900
Information Technology Equipment	185400
Furniture and Fixtures	185900
Library & Museum Acquisitions	187900
Livestock and Poultry	188900
Construction Work in Progress	189900

8. State agencies that maintain capital assets in proprietary, permanent, or fiduciary funds must record and report capital assets on the balance sheet of their year-end Financial Statements. These capital assets are to be recorded in SHARE in the FULLACCRUE Ledger including agencies that use the Asset Management (AM) Module in SHARE.

9. State agencies that maintain general capital assets (not in proprietary, permanent, or fiduciary funds), must record and report these capital assets in the Government-Wide Financial Statements (GWFS) of their year-end Financial Statements, including a disclosure of additions and deletions in the notes to the Financial Statements. A reconciliation of affected fund balances of GWFS to the Fund Financial Statement must also be included in the Financial Statements. These capital assets are to be recorded in SHARE in the FULLACCRUE Ledger.

10. State agencies that construct capital assets should decide on the cost of construction work in progress at year-end. The amount determined should be recorded as “Construction in Progress” (CIP) in the state agencies’ year-end Financial Statements, in either a proprietary or permanent or a fiduciary fund or in the GWFS, whichever is appropriate. When construction is completed, the amount recorded in “Construction in Progress” should be reduced and the appropriate capital asset classification increased.

E. Applicability

This policy applies to all state agencies.

FIN 6.5 Disposing of Capital Assets

A. MAP Standard

State assets should be disposed of in a manner consistent with state (and federal, if applicable) laws, rules, and regulations.

B. Purpose

This policy establishes the requirement that state agencies should be aware of and follow the state statutes and rules governing the disposal of capital assets.

C. Authority

NMSA 1978, §6-5-2, §13-6-1, §13-6-2, §13-6-2.1, §13-6-3, §13-6-4, §13-6-5
Rules 2.20.1.18 and 2.2.2.10.W NMAC

D. Policy

1. State agencies shall dispose of capital assets in accordance with:

    a. NMSA 1978, §13-6-1, §13-6-2, §13-6-2.1, §13-6-3, §13-6-4, §13-6-5

    b. State Rules promulgated by the General Services Department, currently Rule 2.20.1 NMAC - Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions, and Establishing Controls.

2. State agencies are subject to the following when disposing of assets with a resale value less than five thousand dollars ($5,000):

    a. The property to be disposed of must have a current resale value of five thousand dollars ($5,000) or less and be worn-out, unusable, or obsolete to the extent that the item is no longer economical or safe for continued use by the entity,

    b. As a prerequisite to the disposition of any items of personal property, state agencies shall designate a committee of at least three officials of the governing authority to approve and oversee the disposition. They must give notification at least thirty (30) days prior to its action of making the deletion by sending a copy of its official finding and the proposed disposition of the property to the Office of the State Auditor (OSA).

    c. A state agency shall give the Surplus Property Bureau of the Transportation Services Division of the General Services Department the right of first refusal when disposing of obsolete, worn-out, or unusable tangible personal property of the state agency. The personal property shall be disposed of by negotiated sale to any governmental unit of an Indian nation, tribe or pueblo in New Mexico or by donation to other state agencies, local public bodies, school districts, state educational institutions or municipalities, or through the central purchasing office of the governing authority by means of competitive sealed bids or through public auction or through the Surplus Property Bureau of the Transportation

Services Division of the General Services Department or by other means allowed by NMSA 1978, §13-6-1.

3. State agencies are subject to the following when disposing of assets with a resale value greater than five thousand dollars ($5,000), except as provided in paragraphs 4 and 5 below:

    a. The sale, trade, or lease of real property or tangible personal property must be done in accordance with NMSA 1978, §13-6-2,

    b. As a prerequisite to the disposition of any items of personal property, state agencies shall designate a committee of at least three officials of the governing authority to approve and oversee the disposition. They must give notification at least thirty (30) days prior to its action of making the deletion by sending a copy of its official finding and the proposed disposition of the property to the OSA.

    c. The sale must have prior approval by the DFA/State Budget Division, except when the property is used as a trade-in or exchange pursuant to provisions of the Procurement Code and/or when exempted by State Statute; and

    d. The DFA/State Budget Division may condition the approval of the sale or other disposition upon the property being offered for sale to a state agency, local public body, school district, or state educational institution.

    e. Prior to a state agency selling the property, they shall give the Surplus Property Bureau of the Transportation Services Division of the General Services Department the right of first refusal of tangible personal property of the state agency.

    f. The state agency may sell the property by negotiated sale or donation to other state agencies, local public bodies, school districts or state educational institutions; through the Central Purchasing Office of the state agency, local public body, school district or state educational institution by means of competitive sealed bid, public auction or negotiated sale to a private person or to an Indian nation, tribe or pueblo in New Mexico; or if a state agency, through the Surplus Property Bureau of the Transportation Services Division of the General Services Department.

    g. State agencies are subject to the following when leasing real property for a period greater than five years but less than twenty-five years, or when selling or trading real property, when the sale, trade or lease is for a consideration greater than twenty-five thousand dollars ($25,000) but less than one-hundred thousand dollars ($100,000):

        i. The sale, trade or lease of real property must be done in accordance with NMSA 1978, §13- 6-2.1 and State Rules promulgated by the State Board of Finance, currently Rule 1.5.23 NMAC – Real Property Acquisitions, Sales, Trades or Leases; and

        ii. The sale, trade or lease of real property must have prior approval by the State Board of Finance, except when the transaction is made by those state educational institutions identified in Article 12, Section 11 of the Constitution of New Mexico, the State Land Office, or the State Transportation Commission.

h. State agencies are subject to the following when leasing real property for a period greater than twenty-five years or when selling or trading real property when the sale, trade or lease is for a consideration of one-hundred thousand dollars ($100,000) or more:

   i. The sale, trade or lease of real property must be done in accordance with NMSA 1978, §13- 6-3.

   ii. The sale, trade or lease of real property must have prior approval by the State Legislature, except when the transaction is made by those state educational institutions identified in Article 2, Section 11 of the Constitution of New Mexico, the State Land Office, or the Highway Commission.

i. State agencies shall record in the accounting records the sale, disposition, or impairment write- down of capital assets when the related event occurs. The Agency must wait 30 days before disposing of an asset and must include a copy of the agency's official finding, notification to the State Auditor (OSA) and the reply letter from the OSA.

j. State agencies that maintain capital assets in proprietary, permanent, or fiduciary funds must record the disposition and reduce the amount of capital assets on the balance sheet of their year- end financial statements.

k. State agencies that maintain general capital assets (not in proprietary, permanent, or fiduciary funds), must record the disposition, and reduce the amount of capital assets in the GWFS of their year-end financial statements.

l. The sale of public property acquired by a museum through abandonment procedures is done pursuant to the Abandoned Cultural Properties Act, NMSA 1978, §18-10-1 to §18–10-5.

m. Sale or disposition of motor vehicles requires the approval of the State Centralized Fleet Authority of the General Services Department-Transportation Services Division.

E. Applicability

This policy applies to all state agencies, except those specifically exempted by State Statute.

F. Procedures

<u>State Agency</u>

1. If asset is missing, notify OSA with form evidencing state agency management signature.

2. If asset is stolen, notify OSA with form evidencing state agency management signature. Also, notify Police.

3. If asset is obsolete or to be sold, notify Surplus Property Bureau of the Transportation Services Division of the General Services Department. If asset will no longer be kept on site, notify OSA with letter on letterhead evidencing the approval of the committee described in NMSA 1978, §13-6-1(B) as required by Rule 2.2.2.10.u NMAC. If asset is to be sold, begin Cash Receipts Process. Dispose of asset.

4. Update Asset Management module, if utilized by the agency.

5. If asset was capitalized, generate GL journal for asset disposal. Ensure the journal is processed correctly and that the capital asset balances in SHARE are correct.

FIN 6.6 Annual Physical Inventory of Capital Assets

A. MAP Standard

Capital assets should be physically inventoried and verified at least annually.

B. Purpose

This policy establishes the requirement that state agencies perform a physical count of all capital assets to assure that capital assets are adequately safeguarded and accurately reported.

C. Authority

NMSA 1978, §6-5-2 and §12-6-10

D. Policy

1. State agencies shall perform a physical inventory of capital assets no later than the end of each fiscal year in compliance with the annual inventory statutory requirement for property and equipment. They must:

    a. Verify the accuracy of the data on the capital asset inventory list maintained by each state agency,

    b. Physically verify the existence and location of all movable property and equipment costing more than five thousand dollars ($5,000) and verify that the asset is in good working condition and not obsolete,

    c. Correct the inventory list based upon the physical inventory; and

    d. Provide certification from the person to whom the inventory is assigned and the governing authority of each state agency that the inventory list is correct.

2. When any capital asset is found to be missing and cannot be accounted for, the state agencies shall determine the cause(s) and augment internal controls, as necessary, to minimize any future occurrences.

3. Any capital assets determined to be missing should be documented in writing for reporting to the OSA and a Police/insurance report should be obtained, if stolen. A copy of the letter must also be sent to the State Controller.

E. Applicability

This policy applies to all state agencies.

F. Procedures

<u>State Agency</u>

1. Inventory report produced from Asset Management module.
2. Physical assets compared to report.
3. Complete state agency certification for all assets on site.
4. Begin asset disposal process for all missing assets.
5. Make necessary adjustments to Capital Asset records for any unrecorded assets or deletions.

FIN 6.7 Safeguarding Capital Assets

A. MAP Standard

To safeguard capital assets, state agencies must establish formal internal control structures.

B. Purpose

This policy establishes the requirement that state agencies have written policies and procedures to ensure that capital assets are adequately controlled and safeguarded.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.1.18 NMAC

D. Policy

1. State agencies that own capital assets should develop written internal controls to safeguard those assets against pilferage, fraud, fire, vandalism, theft, and other irregularities.

2. State agencies shall mark or tag each capital asset with a value greater than $5,000 (property and equipment) with a unique number that identifies the state agency and the specific asset.

3. State agencies shall maintain a record of all capital assets they own. The record shall contain at a minimum:

    a. State agency name.

    b. Capital asset number and description.

    c. Tag number, if different from Capital Asset number.

    d. Manufacturer, model number and serial number.

    e. Date acquired.

    f. Cost (actual, including book value of any trade in, etc.).

4. *Payment Voucher*, *Warrant* number and expenditure account used to acquire the asset. If using Asset Management (AM) module in SHARE, should be able to drill into Voucher or Warrant information using AM.

    a. Location of the asset and custodian to whom asset is assigned.

    b. Source of Funding when applicable, Agency match vs. non-match

5. State agencies should perform periodic reviews to verify the compliance with and adequacy of the

written policies and procedures.

6. State Agencies should maintain records and record transfers and changes of locations and custodians on an ongoing basis.

E. Applicability

This policy applies to all state agencies.

FIN 6.8 Accounting for Impairments, Losses and Thefts of Capital Assets

A. MAP Standard

Capital asset impairments should be accounted for and reported using Generally Accepted Accounting Principles (GAAP).

B. Purpose

This policy establishes the requirement for the accounting and financial reporting of asset impairments and insurance recoveries of capital assets as defined in NMAC 2.20.1.

C. Authority

NMAC 2.20.1

D. Policy

1. Impairment is defined as a significant and unexpected decline in the service utility of a capital asset.

2. Insurance recoveries are defined as the recoupment or the making whole of the lost or damaged assets as reported to the Risk Management Division of GSD.

E. Procedures

1. Agency management must ensure the proper accounting and reporting of capital assets lost, stolen or impaired and any related insurance recoveries.

2. When the related impairment and the insurance recovery of an asset purchased occur in the same fiscal year, the entry to record the insurance recovery for the impairment and/or loss should reduce or eliminate the original recording of the expenditure in which it was made when the asset was acquired.

3. If an insurance recovery is received for a prior year refund or subsequent fiscal year, record the insurance proceeds in miscellaneous revenue.

4. After recognizing with an accounting entry for an impairment loss, do not reverse the loss in future years, even if the events or circumstances underlying the impairment change.

5. Record the restoration or replacement of the impaired capital asset using the insurance recovery as a separate transaction.

FIN 6.9 Infrastructure Assets

A. *Statement*

Accounting and reporting infrastructure assets for state agencies.

B. *Purpose*

The purpose of this statement is to address issues surrounding reporting of infrastructure assets by state agencies.

C. *Authority*

NMSA 1978, §6-5-2
Rule 2.20.1 NMAC

D. *Procedures*

1. State agencies shall account and report infrastructure assets in accordance with:

    a. GASB 34, State Statues, and Generally Accepted Accounting Principles.
    b. State Rules promulgated by the General Services Department, Rule 2.20.1 – Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls;
    c. Federal Rules and Regulations, if acquired with federal funding.

2. GASB 34 accounting standard definition of infrastructure:

    a. Long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets;
    b. Excludes buildings, except those that are an integral part of the infrastructure system;
    c. Major general infrastructure assets can be reported on the basis of a network or a subsystem of a network.

3. Retroactive capitalization means that major infrastructure assets on hand at the date of implementation of GASB Statement No. 34 must be inventoried, recorded as capital assets in the accounts, and reported in the statement of net assets. Prospective capitalization of general infrastructure assets means that from the GASB Statement No. 34 implementation date forward, all such assets must be capitalized in the accounts and reported in the statement of net assets.

4. Reporting requirements and options:

    a. Retroactive reporting includes Infrastructure assets purchased, constructed, or donated in fiscal years ending after June 30, 1980. Infrastructure assets that received major renovations, restorations or improvements in fiscal years ending after June 30, 1980.

    b. Standard method – Depreciation accounting:
        i. Record historic cost when built;

ii. Allocate net cost (historical cost less salvage value, if applicable) over asset's useful lifetime in a systematic and rational manner;
iii. Report assets net of accumulated depreciation.

c. Modified method – Asset management basis:
   i. Infrastructure need not be depreciated if managed via a qualified asset management system;
   ii. Need to have up-to-date inventory of assets;
   iii. Officially establish condition maintenance goals;
   iv. Need to conduct condition assessments.
   v. Depreciation is not reported for infrastructure assets reported using the modified approach.

5. Suggested categories and recommended life.

Recommended Asset Classes	Recommended Life
Roads	25-30 years
Bridges	25-30 years
Right of way	Not depreciated

Accounting for disposal of infrastructure assets

6. State agencies shall dispose infrastructure assets in accordance with internal policies, relevant aspects of the asset management principles, and applicable internal controls;

7. Best practices include the establishment of an asset management control environment providing for appropriate responsibilities, policies and procedures for disposal management and a high level of staff awareness of the requirements; maintenance of specific internal controls to readily identify assets for disposal, consider available disposal options, fully document the disposal process, and properly account for each disposal transaction;

8. Disposal decisions are often connected with asset replacement with specific legislative approval and requirements relating to asset disposals, therefore, infrastructure assets are not applicable to the state auditor rule disposal process;

9. State agencies shall document the activities and costs associated with the disposal of infrastructure assets.

10. For examples and additional guidance, refer to the SFRAB training material posted on the DFA website or contact the SFRAB accountant assigned to the agency for additional assistance.

E. Applicability

These policies apply to all state agencies.

FIN 6.10 Leases

A. MAP Standard

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases.* GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees.

B. Purpose

This policy establishes the requirement that state agencies should be aware of and follow the procedures required by state rules, State Procurement Code, and Generally Accepted Accounting Principles as they apply to recording and accounting for leases.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.1 NMAC

D. Policy

1. State agencies shall enter into lease agreements in accordance with:

    a. State agencies are subject to the following when leasing real property for a period greater than five years but less than twenty-five years, or when selling or trading real property, when the sale, trade or lease is for a consideration greater than twenty-five thousand dollars ($25,000) but less than one-hundred thousand dollars ($100,000):

        i. The sale, trade or lease of real property must be done in accordance with NMSA 1978, §13- 6-2.1 and State Rules promulgated by the State Board of Finance, currently Rule 1.5.23 NMAC – Real Property Acquisitions, Sales, Trades or Leases, and
        ii. The sale, trade or lease of real property must have prior approval by the State Board of Finance, except when the transaction is made by those state educational institutions identified in Article 12, Section 11 of the Constitution of New Mexico, the State Land Office, or the State Transportation Commission.

    b. State agencies are subject to the following when leasing real property for a period greater than twenty-five years or when selling or trading real property when the sale, trade or lease is for a consideration of one-hundred thousand dollars ($100,000) or more:

        i. The sale, trade or lease of real property must be done in accordance with NMSA 1978, §13- 6-3.

        ii. The sale, trade or lease of real property must have prior approval by the State Legislature, except when the transaction is made by those state educational institutions identified in Article 2, Section 11 of the Constitution of New Mexico, the State Land Office, or the Highway Commission.

2. State agencies shall record transactions meeting the definition of a lease, in compliance with GASB 87.

    a. A lease is defined by GASB 87 as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange-like transaction.

    b. LESSEE ACCOUNTING

        i. GASB 87 requires a lessee government to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset at the commencement of the lease.
        ii. GASB 87 requires the lessee government to measure its lease liability as the present value of all payments expected to be made during the lease term.
        iii. Variable payments based on future performance of the lessee or usage of the underlying asset should be expensed as incurred, and not included in the measurement of the lease liability.
        iv. The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term
        v. The lessee should assess each lease liability annually for changes in the terms of the lease, interest rate, impairment of the underlying leased asset, or other factors that may impact the expected lease payments. Lease amendments and other modifications could necessitate remeasuring the lease liability.
        vi. The lessee government will generally report amortization expense for the lease asset over the shorter of the term of the lease or the useful life of the underlying asset. This amortization expense may be reported with depreciation expense for capital assets. *(Please note that per 2 Code of Federal Regulations 200.1, RTU Lease assets are not capital assets. Therefore, RTU Lease asset amortization expense cannot be included in depreciation schedules submitted to the federal government.)*
        vii. The lessee will calculate the amortization of the discount on each lease liability in subsequent financial reporting periods, and report that amount as interest expense.
        viii. The lessee government's financial statement footnote disclosures will include the following:
            1. A general description of leasing arrangements.
            2. The total amount of lease assets recognized.
            3. Related accumulated amortization, disclosed separately from other capital assets.
            4. Amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets.
            5. Principal and interest requirements to maturity, for the lease liability for each of the five subsequent fiscal years, and in five-year increments thereafter.
            6. A description of variable payments and other payments not included in the lease liability, and the recognized in the reporting period for these

payments.
7. Impairment losses and any significant related changes in the lease liability.

c. LESSOR ACCOUNTING

i. GASB 87 requires the lessor government to recognize a lease receivable at the present value of lease payments anticipated to be received during the lease term, reduced by any provision for estimated uncollectible amounts.
ii. The lessor government will recognize a deferred inflow of resources at the initial value of the lease receivable, plus the amount of any payments received at or before the commencement of the lease term that relate to future periods (i.e. the final month's rent).
iii. The lessor government will continue to report the asset underlying the lease in its financial statements.
iv. The lessor should continue to apply applicable accounting guidance to the asset, including depreciation and impairment.
v. The lessor should assess each lease receivable annually for changes in the terms of the lease, interest rate, impairment of the underlying leased asset, or other factors that may impact the expected lease payments. Lease amendments and other modifications could necessitate remeasuring the lease receivable.
vi. The lessor will report lease revenue, systematically over the term of the lease, corresponding with the reduction of the deferred inflow.
vii. The lessor will calculate the amortization of the discount on each lease receivable in subsequent financial reporting periods, and report that amount as interest revenue.
viii. The future lease payments to be received should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease.
ix. The lessor government's financial statement footnote disclosures will include the following:
    1. A general description of the leasing arrangements.
    2. The total amount of revenue recognized from the leases.
    3. A description of variable payments and other payments not included in the measurement of the
    4. lease receivable. This includes revenue related to residual value guarantees and lease termination
    5. penalties.
    6. If the lease payments serve as security for debt issued by the lessor government, the existence, terms,
    7. and conditions of options for the lessee to terminate the lease or abate lease payments.
    8. If material, the lessor government should disclose a schedule of future payments that are included in the lease receivable, showing principal and interest requirements to maturity, for each of the five subsequent fiscal years, and in five-year increments thereafter.

3. Thresholds and IBR

a. To assess the value of the RTU lease contract where the department is the lessee use the following information:

i. An intangible RTU lease asset and lease liability should be calculated for contracts with $5,000 or more in total future lease payments to the end of the lease term.

b. To assess the value of the RTU lease contracts where the department is lessor use the following:

i. A lease receivable and deferred inflow of resources should be calculated for contracts with $5,000 or more in total future lease payments to the end of the lease term.

4. The lessee's incremental borrowing rate (IBR) is a defined term in the new standards. Under the accounting rules, the lessee will calculate the present value (PV) of the estimated lease payments using the implicit rate in the lease, if known to the lessee, or the company's incremental borrowing rate

5. Accounts in the Full Accrue Ledger to be used to account for lease assets as lessee and lessor.

6. Amortization must be calculated for the Deferred Revenue and Lease Receivable, for Lessors; and Lease Liability and RUA, for Lessees.

E. Applicability

These policies apply to all state agencies entering into external contracts as lessors or lessees. Contracts between state agencies and entities reported in the state ACFR shall not be subject to GASB 87. Updated IBR, Chart of Accounts, Scope guides and assessments will be available on the DFA website.

FIN 6.11 GASB 96 SBITAs

A. MAP Standard

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of SBITA assets and liabilities for all SBITAs.

B. Purpose

This policy establishes the requirement that state agencies should be aware of and follow the procedures required by state rules, State Procurement Code, and Generally Accepted Accounting Principles as they apply to recording and accounting for subscription-based information technology arrangements.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.1 NMAC

D. Policy

1. State agencies **shall record transactions** meeting the definition of a subscription, in compliance with GASB 96.

    a. A SBITA is defined by GASB 96 as a contract that conveys control of the right to use another entity's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT asset), as specified in the contract for a period of time in an exchange-like transaction.

    b. SBITA ACCOUNTING

        i. GASB 96 requires a government to recognize a subscription liability and an intangible asset representing the government's right to use the subscription asset.
        ii. GASB 96 requires the government to measure the subscription liability at the present value of subscription payments expected to be made during the subscription term.
        iii. Variable payments based on future performance of a government or usage of the underlying IT asset should be expensed as incurred, and not included in the measurement of the lease liability.
        iv. The subscription asset should be measured at the amount of the initial measurement of the subscription liability, payments made to the SBITA vendor, and capitalize implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.
        v. SBITA activities, other than subscription payments should be grouped into three stages and costs should be accounted for accordingly:
            1. Preliminary Project Stage, including activities such as evaluating alternatives, determining the technology need, and selecting a SBITA

vendor should be expensed as incurred.

2. Initial Implementation Stage, including ancillary charges to place the subscription asset into service should be capitalized as an addition to the subscription asset.
3. Operation and Additional Implementation State, including activities after implementation activities, maintenance, and other activities for ongoing operations related to a SBITA should be expenses and incurred unless they meet capitalization criteria.

vi. The government should assess each subscription liability annually for changes in the terms of the agreement, interest rate, impairment of the underlying subscription asset, or other factors that may impact the expected subscription payments. Subscription amendments and other modifications could necessitate remeasuring the lease liability.

vii. If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to different components.

viii. The government will generally report amortization expense for the subscription asset over the shorter of the term of the agreement or the useful life of the underlying asset.

ix. The government will calculate the amortization of the discount on each subscription liability in subsequent financial reporting periods, and report that amount as interest expense.

x. The government's financial statement footnote disclosures will include the following:

1. A general description of the SBITAs.
2. The total amount of subscription assets recognized.
3. Related accumulated amortization, disclosed separately from other capital assets.
4. Amount of subscription assets by major classes of underlying assets, disclosed separately from other capital assets.
5. Principal and interest requirements to maturity, for the liability for each of the five subsequent fiscal years, and in five-year increments thereafter.
6. A description of variable payments and other payments not included in the subscription liability, and the recognized in the reporting period for these payments.
7. Commitments under SBITAs before the commencement of the subscription term.
8. Impairment losses and any significant related changes in the liability.

2. Thresholds and IBR

   a. To assess the value of the SBITA contract use the following information:

      i. A SBITA asset and liability should be calculated for contracts with $5,000 or more in total future subscription payments to the end of the term.

3. The government's incremental borrowing rate (IBR) is a defined term in the new standards. Under the accounting rules, the government will calculate the present value (PV) of the estimated subscription payments using the implicit rate, if known to the government, or the government's

incremental borrowing rate.

E. Applicability

These policies apply to all state agencies entering into subscription contracts. Contracts between state agencies and entities reported in the state ACFR shall not be subject to GASB 96. Updated IBR, Chart of Accounts, Scope guides and assessments will be available on the DFA website.

FIN 7 – Deal Management

Policies and Procedures

Business Processes

Beginning of Document

FIN 7.1 Authorizing Investments

A. MAP Standard

To ensure legal compliance, investments of State funds must be authorized by statute.

B. Purpose

This policy establishes that the State Treasurer, with advice and consent of the State Board of Finance, is authorized by State law to invest State funds.

C. Authority

NMSA 1978, §6-10-10

D. Policy

1. State monies shall be invested only as authorized by State law.

2. Certain State agencies, as authorized by State law, are permitted to invest State monies.

3. Investing Agencies shall record investment transactions when they occur. Investing Agencies are subject to Board of Finance Rule 2.60.9 NMAC Investment and Deposit of Public Funds Investing Agencies Reconciling and Reporting Policy.

4. At least once a month, STO and other agencies that are authorized to have investments, must prepare, and then send to FCD the *Journal Entries* needed to record investment activity in SHARE.

E. Applicability

This policy applies to STO and other agencies that are authorized to have investments.

F. Procedures

<u>Investing Agencies:</u>

1. Performs cash forecast to verify cash availability

2. Based on the cash availability the agency can:

    a. Select investment for purchase.

    b. Select investment for liquidation.

    c. Purchase investment/Liquidate Investment

3. Prepare the entry on G/L (SHARE) and submit to FCD.

FIN 7.2 Accounting for Investments

A. Statement

This procedure addresses the methods to be used to account for investments.

B. Authority

NMSA 1978, §6-5-2

C. Procedures

<u>STO</u>

1. Process a *wire transfer going from the fiscal agent bank to the custody bank* to purchase an investment. Attach supporting documentation to the overnight worksheet, including trade ticket.

2. Process a *Cash Receipt* to record the sale of an investment.

3. Prepare a monthly *Journal Entry* and send it to FCD to record the investment balances in SHARE and attach the required supporting documentation to the *Journal Entry in SHARE*.

4. Contact FCD if there are any questions concerning how to record the purchase or sale of an investment.

5. Prepare the entry in SHARE and submit to DFA.

<u>PERA/ERB/SIC/Economic Development</u>

6. Prepare a monthly Journal Entry to record in SHARE investment activity for the month, send it to FCD to record the transactions in SHARE and attach the required supporting documentation to the Journal Entry.

FIN 7.3 Authorization of Long-Term Debt

A. MAP Standard

Effectively managing long-term debt requires that an agency must have legal authority to obligate the State prior to entering into a commitment.

B. Purpose

This policy establishes the requirement that all long-term debt must be legally authorized before the debt is incurred.

C. Authority

NMSA 1978, §6-5-2
Article IV of New Mexico Constitution.

D. Policy

1. STO and the SBOF have the authority to obligate the State for the purpose to be financed and they are authorized to use the manner of financing being considered.

E. Applicability

This policy applies to STO and SBOF.

F. Procedures

<u>Legislature</u>

1. Obtain debt capacity and authorized but unissued project amount from Board of Finance division.

2. Appropriate capital to be funded with Severance Tax Bonds or General Obligation Bonds (in even numbered years) and authorize SBOF to issue those bonds.

3. General Obligation Bonds: If yes, follow the procedures outlined for electorate. If No, then skip to Step 8, Board of Finance Section.

<u>Electorate (For the General Obligation Bond requests)</u>

4. Electorate votes to approve or disapprove the General Obligation Bond request. If the General Obligation Bond request is approved, go to step 5. If the General Obligation request is denied, the process ceases. It will be necessary to obtain more information/documentation (in accordance with the law period) to support the approval.

5. Determine type/term of debt.

6. Initiate debt instruments.

<u>STO, BOF Division, and Agency (as appropriate)</u>

7. Determine accounting needs for new bond issuances.

8. STO – Creates a Debt Service Fund in SHARE.

9. STO – Creates a Cost of Issuance Fund in SHARE for GOBs.

10. BOF Division – Creates a Bond Proceeds Fund in SHARE.

11. Issues Severance Tax Bonds or General Obligation Bonds (in even numbered years). On day of closing, deposits proceed in the bond proceeds fund(s).

12. Agency – Receive the Proceeds to create a fund into SHARE.

13. All the related entities must prepare a SHARE Chart field Maintenance Fund Form, if needed, and submit to DFA.

14. Prepare the entry in SHARE and submit to FCD.

15. If debt is to be paid down:

16. Determine amount to pay down.

17. Initiate payment voucher.

<u>FCD</u>

18. Approve the fund creation into SHARE.

19. Process the Journal Entry received in SHARE from STO.

FIN 7.4 Debt Service Fund

A. MAP Standard

To effectively manage long-term debt, resources for debt service must be recognized and recorded.

B. Purpose

This policy establishes the requirement that the resources to service long-term debt be recognized and recorded so as to demonstrate compliance with: 1) any conditions, contingencies, or limitations imposed by legislation, rules, or regulations; 2) the terms, covenants, conditions, and other requirements of the related debt instrument; 3) the budgetary basis of accounting used by the State; and 4) generally accepted accounting principles.

C. Authority

NMSA 1978, §6-5-2
Generally Accepted Accounting Principles

D. Policy

1. Generally accepted accounting principles permit debt service funds be used if: (a) the use of a debt service fund is legally required, or (b) financial resources are being accumulated for principal and interest payments maturing in future years.

2. For accounting purposes, FCD requires that agencies use a separate debt service fund for each debt issue. Debt service funds should be used to accumulate resources for the payment of general long-term debt, and to record and report the service the debt.

3. For the Financial Statements, a separate debt service fund is not required for each debt issue.

4. Long-term debt related to proprietary funds and trust funds belongs to the fund itself and is recorded therein, not in a debt service fund.

5. Claims, judgments, leases of equipment, etc. are normally paid from the operating resources of an entity and not from a debt service fund.

6. The number of debt service funds used by the State should be kept to the minimum required by legal and sound financial administration. Agencies should contact FCD personnel if a question arises as to the necessity of creating a debt service fund.

7. Agencies must have internal controls to ensure debt service funds are used only for their intended purpose. Any questions regarding the use of debt service funds should be directed to FCD.

8. Agencies that have tax intercepts that are sent directly to pay for bonds, debt, etc. are still required to record the debt service payment on their financials even though this money did not "pass through" their agency. Any questions regarding this process should be directed to FCD.

E. Applicability

This policy applies to all State agencies.

F. Procedures – Use of Funds

STO

1. When long-term debt is issued (e.g., Severance Tax Bonds and General Obligation Bonds), contact FCD to determine whether to establish a debt service fund. If a debt service fund is needed, agencies processing transactions through SHARE should complete a *SHARE Chart field Maintenance* form and submit the request via SHARE workflow requesting that a debt service fund be established.

FCD

2. Review the request for accuracy and completeness. If the request is approved, DFA IT will provide the agency with the fund number.

Agency

3. Ensure that enough cash is available in the debt service fund prior to processing payments or transfers against the fund.
4. Make payments from the debt service fund on the date required in the repayment provisions of the debt issuance.

FIN 7.5 Timely Servicing of Long-Term Debt

A. MAP Standard

The proper management of long-term debt includes the timely servicing of debt; satisfying all conditions, contingencies, and limitations imposed by legislation, rules, and regulations; meeting the terms, covenants, conditions, and other requirements of the debt.

B. Purpose

This policy establishes the requirement that agencies service long-term debt timely and accurately.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. Agencies that manage debt are responsible for ensuring that all debt service transfers and payments are made on a timely basis and in accordance with the terms of the debt issuance.

2. FCD will honor special processing requests to expedite the processing of *Payment Vouchers* and *Warrants*.

E. Applicability

This policy applies to all state agencies, including FCD personnel responsible for processing payment vouchers.

FIN 8 – Project Costing

Policies and Procedures

Business Processes

Beginning of Document

FIN 8.1 Project Costing

A. MAP Standard

To ensure the timely and accurate collection of expenditure data related to program specific projects.

B. Purpose

This policy provides agencies the ability to organize financial information for the purposes of accounting, analysis, monitoring, billing, and reporting on projects.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.5 NMAC

D. Definition

1. A project is defined as an activity requiring the grouping and organization of financial transactions in order to monitor and report on the conditions of that activity. Sub-activities of the project may be defined in order to develop the detailed work requirements of the project.

E. Policy

1. Project costing will be used to accumulate and summarize project budgets, time and labor details, encumbrances, expenditures, cost allocations, operating transfers and journal entries. Project costing is not to be used for accounting for state-sponsored grants to school districts, municipalities and counties unless the expenditures are related to a major capital acquisition or construction project, properly accounted for in a capital projects fund.

2. Project costing can be used to account for grants or used independently to account for non-grant capital projects.

3. Based upon the reporting periods as required of the project monitor, agencies shall run project information reports to create expenditure reports and/or billing information for the appropriate period. The information shall be reviewed for accuracy and verification of detailed information. Documentation shall be gathered, as required, to support reporting requirements of the project.

F. Applicability

This policy applies to all State agencies with the responsibility of tracking and monitoring projects.

G. Procedures

1. State agency creates Project in SHARE and updates the Project Costing Module.

2. State agency creates Activities in SHARE and updates the Project Costing Module.

3. State agency creates Budget in SHARE and feeds the Project Costing Module.

Policies & Procedures FIN 8.1

4. SHARE System accumulates the cost information obtained from the following modules:

5. Accounts Payable Cost Collection Module

6. Time & Labor Module

7. Purchasing Module

8. Grants Management – F&A Module

9. Contracts – Revenue Recognition Module

10. After SHARE accumulates all the information at the Project Costing Module, the data is sent to the Billing Module and General Ledger Module.

11. SHARE also generates a Project Cost Reports (Transaction Level Summary, Queries, etc.). These Reports are used for auditing reconciliation or validate transactions.

FIN 9 – Grants Management

Policies and Procedures

Business Processes

Beginning of Document

FIN 9.1 Grants Management Overview

A. MAP Standard

To ensure the complete, accurate, and timely recording of grant proposals and awards including the expenditure and revenue recognition activity related to the grant awards.

B. Purpose

This policy establishes requirements for recording each phase of the life cycle for grant awards and its implication to the central reporting system.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.5 NMAC

D. Policy

1. Project Administration – Requires establishing a project number and necessary activity levels to be associated with proposals and awards.

2. Proposal Preparation and Submission – Parameters outlining the basic features of the proposal's preparation shall be recorded. These shall include the statement of work, proposal budget, and administrative, personnel and submission information required by funding agencies.

3. Award Negotiation/Funding/Administration – The award generation process shall continue to be tracked from the point of negotiation through to the final award and its administration. Managing award funding will require creating the contract, billing, and revenue recognition. Administration of the award requires managing award funding through budget administration to allow for complete integration with purchasing, indirect costs processing, and accounts payable in order to accumulate expenditure information.

4. Financial Reporting and Analysis – Based upon the required reporting periods of the grantor, state agencies shall run project information reports and create bills to the grantor for the appropriate period. The billing shall be reviewed for accuracy and verification of detailed information. Documentation shall be gathered, as required by the grantor, to support the billing. When the preparation of an invoice for billing is required by the Federal grantor, it shall follow the format specified by the Federal grantor. If the Federal grantor allows for direct funding drawdowns without the submission of an invoice, the grantee shall maintain all documentation necessary to support the drawdown request and shall make that documentation available for both Single audit and grantor audit requirements.

5. If state agencies utilize the SHARE system to bill the Federal grantor agency, they must reconcile the detail of the grant award billings recorded in the accounts receivable subsidiary schedule to the control account for accounts receivable within the general ledger on a monthly basis. If the billing cycle occurs outside of the SHARE system, state agencies must reconcile

6. Federal receipts to the Agency's record of amounts receivable from the Federal agency and complete

general ledger reconciliation monthly to ensure the receipt of anticipated federal funds.

7. Collection of outstanding accounts receivable is the responsibility of the originating state agency and must be properly recorded in SHARE and on the agency's financial statements.

8. Award Closeout – Upon completion of the grant requirements and receipt of grant award funding, the project shall be deactivated by the originating state agency.

E. Applicability

This policy applies to all state agencies responsible for submitting grant proposals and/or receiving grant awards.

F. *Procedures*

State Agency – Based on the use of the SHARE Grant Module:

1. Completes the Grantor Form.

2. Enters the proposal and award in SHARE.

3. Develops the project, project budget, and contract.

4. SHARE then accumulates costs.

5. Prepares invoice/requests for funds for submission to funding agencies.

6. Receives pre-payment or payment for invoice and deposits the funds.
7. Enter New/Update Customer data in SHARE.

8. Complete and submit grantor form and/or grant document (New or Existing).

9. Enter new sponsor or update existing customer data in SHARE. Add the following details into the system:

10. Enter new sponsor or update existing customer data in SHARE.

11. Billing Set-up, if the billing is to be completed through SHARE.

12. Assign Billing Address.

13. Identify and record the grantor contact for both programmatic and billing functions.

14. Customer set-up is completed in SHARE.

Grants Management Project Initiation

State Agency

15. Develops the funding proposal and submits proposal to the appropriate state or federal agency for

approval.

16. Enters proposal data into SHARE.

17. Enters grantor proposal number in SHARE.

18. Generate an "Award Document" (filed by requesting state agency) in SHARE if the grantor agency does not provide an award document for use by the grantee/state agency.

19. Creates Contract in SHARE, if necessary, to complete the billing process in SHARE.

20. Assign Scheduled Bill Rate Template.

21. Activate Grant Contract in SHARE.

22. Create Award and Project in SHARE

23. Update Award & Project with sub-recipient detail from supplier file.

24. Populate Project Budget in SHARE

25. Post Budget to Project Costing.

26. Create Project/Activity Budget Journal Entry.

Grants Management – Cost Accumulation & Integration (Overview)

<u>SHARE</u>

27. SHARE accumulates the cost information obtained from the following modules:

28. Accounts Payable Cost Collection Module.

29. Time & Labor Module.

30. Purchasing Module.

31. Grants Management – F&A Module.

32. Contracts – Revenue Recognition Module.

33. General Ledger Cost Collection – (correcting entries for the general ledger).

34. After SHARE accumulates all the information in the Project Costing Module and is collected in the Project Resource subsidiary ledger, the data is sent to Billing Module and General Ledger Module to create a bill to the grantor. If bills/invoices are created outside of SHARE, Project Cost Reports (Transaction Level Summary, Queries, etc.) can be run for auditing reconciliations, validating transactions, or developing bills/invoices.

Grants Management – Bill and Draw Creation

<u>State Agency</u>

35. Run queries in SHARE by fund, department, and project to generate the worksheets required to complete draw requests.

36. State agency enters draw request in Federal Systems (FED System).

37. SHARE automatically runs Journal Generator and Updates G/L.

38. SHARE automatically runs Project & Contracts Interface.

39. SHARE Updates Contracts & Billing Cross-Reference.

Grants Management – Create Accounts Receivable (Overview)

<u>State Agency</u>

40. Create Accounts Receivable in SHARE or post to federal revenue.

41. Grantor Creates and Submits Payment request.

42. Electronic Deposits are credited to the State of New Mexico's bank account at the fiscal agent bank.

43. For Checks received at state agency - State agency prepares a 3-part deposit slip and takes cash to Bank. The state agency obtains a validated Deposit Slip from Bank, or

44. For Checks received at state agency - State agency uses desktop deposit scanners. Once deposit is completed, a scanned copy of the deposit and checks are obtained and confirmation from the fiscal agent bank is received.

45. Deposits are entered in SHARE.

<u>SHARE</u>

46. SHARE batches direct journal (DJ) for deposit for posting to the GL.

<u>STO</u>

47. Posts Journal in SHARE.

48. Deposit posted and payment applied.

Grants Management – Accounts Receivable Research (Overview)

<u>State Agency</u>

49. Research Accounts Receivable and federal revenue issues.

50. If any review is necessary, state agency verifies if it is a technical or an accounting problem.

51. Accounting problem is researched by the Financial Control Division Support Unit (FCDSU)

    a. FCDSU verifies the source of the Issues.

    b. FCDSU completes accounts receivable research and posts the necessary adjustments on G/L.

52. Technical problem is researched by the financial unit of state agency

    a. State agency verifies the source of the Issues.

    b. State agency complete accounts receivable research and posts the necessary adjustments on G/L.

G. Procedures - Grants Management – Grant Prepayments (Deferred Outflow of Resources)

State Agency

1. Receive and recognize prepayments for a grant.

2. Enter prepaid amount into SHARE (Contracts Module).

3. Define Billing Plan, Define Utilization, and Activate Plan (Contracts Module).

4. Verify the propriety of the Contracts Module/Billing Module Interface in SHARE.

H. Procedures – Grants Management – Allocations (Overview)

State Agency

1. Run GL line queries by fund.

2. Segregate expense account codes by cost pool.

3. Apply Basis.

4. Segregate allocated costs by grant.

FIN 9.2 Grants Management- Funding Criteria and Oversight Requirements

A. MAP Standard

Assure State capital outlay appropriations granted by State agencies to other entities are expended in accordance with law and that grant funds and assets acquired with grant funds are properly accounted for and safeguarded.

B. Purpose

This document establishes uniform funding criteria for grantees to receive State capital outlay appropriations and grant management and oversight requirements.

C. Authority

1. Executive Order 2013-006- Establishing Uniform Funding Criteria and Grant Management and Oversight Requirements for Grants of State Capital Outlay Appropriations by State Agencies to Other Entities.

2. NMSA 1978, §6-5-2, NMSA 1978, §6-5-2. (A) NMSA 1978, §6-5-2.l(Q).

D. Policy

1. *Non-Tribal Government grantees- uniform funding criteria*. The following uniform funding criteria must be met for a non-Tribal Government grantee to be eligible to receive a grant of a State capital outlay appropriation:

    a. for the most recently concluded fiscal year, a grantee must have submitted the report of its annual audit or agreed upon procedures, as required by NMSA 1978, §12-6-3(A)-(B), if the due date for the report under Rule 2.2.2 NMAC has passed;

    b. if the due date for the annual audit or agreed upon procedures report for the most recently concluded fiscal year was forty-five (45) or more days before the date on which a grant is made or a project is certified to the State Board of Finance, the report must be a public record pursuant to NMSA 1978, §12-6-5(A). For example, in July 2013, the relevant fiscal year for applying this and the previous criterion to counties is Fiscal Year 2012, since the Fiscal Year 2012 audit report was due to the State Auditor on November 15, 2012, and the Fiscal Year 2013 audit report is not due to the State Auditor until November 15, 2013. If a county's Fiscal Year 2012 audit report was not a public record in July 2013, the county would not be eligible to receive a grant of a State capital outlay appropriation at that time.

    c. in the case of a grantee whose most recent annual audit report, agreed upon procedures report, or special audit report released since its most recent annual audit or agreed upon procedures report became a public record documents material weaknesses, significant deficiencies, or findings that raise concerns about the grantee's ability to expend grant funds in accordance with applicable law and account for and safeguard grant funds and assets acquired with grant funds:

        i. the grantee must have remedied the material weaknesses, significant deficiencies, and findings to the satisfaction of the State agency making the grant.

ii. the State agency making the grant must have determined that it can impose and has the resources to implement special grant conditions that adequately address those weaknesses, deficiencies, and findings.

iii. the State agency making the grant must have determined that another appropriate entity is able and willing to act as fiscal agent for the grant; or

iv. if the State agency answers "no" to any question on the uniform funding criteria form or other form used to determine eligibility, detail should be provided as to why a "no" answer was given to help determine if funding can be granted; and

d. in the case of a grantee that is not required to have annual audits or agreed upon procedures conducted under the Audit Act:

i. the grantee must have otherwise demonstrated to the satisfaction of the State agency making the grant that it has adequate accounting methods and procedures to expend grant funds in accordance with applicable law and account for and safeguard grant funds and assets acquired by grant funds;

ii. the State agency must have determined that it can impose and has the resources to implement special grant conditions that will adequately address any relevant deficiencies in the grantee's accounting methods and procedures; or

iii. the State agency must have determined that another appropriate entity is able and willing to act as fiscal agent for the grant; and

e. the grantee must have a budget approved by its oversight agency (if any) for the current fiscal year and follow any financial reporting requirements.

2. *Tribal Government grantees - uniform funding criteria*. The following uniform funding criteria must be met for a Tribal Government grantee to be eligible to receive a grant of a State capital outlay appropriation:

a. for the most recently concluded fiscal year, a grantee must have timely submitted to the federal government all forms and federal single audit documentation required under the federal Single Audit Act of 1984, as amended, and 2 CFR part 200, subpart F, if the due date for the report under federal law has passed. A federal single audit report is timely submitted for purposes of this criterion if submitted by any extended due date granted by the grantee's federal cognizant agency.

b. in the case of a grantee whose most recent federal single audit raises concerns about the grantee's ability to expend grant funds in accordance with applicable law and account for and safeguard grant funds and assets acquired with grant funds:

i. the grantee must have remedied the inadequacies in its accounting methods and procedures to the satisfaction of the State agency making the grant;

ii. the State agency making the grant must have determined that it can impose and has the resources to implement special grant conditions that adequately address the inadequacies in the grantee's accounting methods and procedures;

iii. the State agency making the grant must have determined that another appropriate entity is able and willing to act as fiscal agent for the grant, and

iv. if the State agency answers “no” to any question on the uniform funding criteria form, detail should be provided as to why a “no” answer was given to help determine if funding can be granted.

3. *Uniform funding criteria are minimums*. The uniform funding criteria in paragraphs 1 and 2 of Section D are minimums. State agencies are not precluded from imposing other, more stringent funding criteria or grant conditions.

4. *Prefunding determinations concerning uniform funding criteria*.

   a. State agencies are responsible for ensuring that the uniform funding criteria are met prior (i) to certifying to the State Board of Finance for the issuance of severance tax bonds, supplemental severance tax bonds, or general obligation bonds for a project or (ii) to making a grant of a State capital outlay appropriation to a grantee.

   b. In the event that more than one State agency receives an appropriation for the same grantee, those State agencies will coordinate their review concerning the grantee's compliance with the applicable uniform funding criteria so as to (i) ensure that the grantee does not receive multiple requests for the same information and (ii) prevent inconsistent determinations on whether the grantee has adequate accounting methods and procedures to expend grant funds in accordance with applicable law and account for and safeguard grant funds and assets acquired by grant funds. COB shall notify State agencies that received an appropriation for the same grantee and designate a lead agency from among those agencies to coordinate the review of the grantee's compliance with the applicable uniform funding criteria and interact with the grantee during the prefunding review process.

   c. If the State agency receiving the appropriation has determined that one or more of the uniform funding criteria has not been met, the State agency will communicate the results of its review to the grantee. At this time, the grantee will have an opportunity to respond to the State agency's assessment and/or work and consult with the State agency to remedy deficiencies in the grantee's accounting methods and procedures through corrective action, special conditions, or use of an appropriate fiscal agent. The State agency shall consider and give due deference to any corrective action plan submitted to or approved by a federal agency making an award to the grantee. The State agency may require Grantees to demonstrate that corrective action has been implemented through an agreed-upon procedures engagement with a certified public accountant. If the State agency determines that deficiencies have not been remedied through corrective action, special conditions, or use of an appropriate fiscal agent, the State agency will not certify for the issuance of bonds or initiate a grant agreement at that time.

   d. With respect to Tribal Government grantees, the following additional procedures will apply:

      i. <u>Use of data collection firm for reporting on federal single audits</u>. State agencies will use federal Form SF-SAC (or its successor form) to make an initial assessment of a Tribal Government grantee's accounting methods and procedures. If the form reflects an unqualified opinion and no significant deficiencies, material weaknesses, instances of material noncompliance, or questioned costs, the State agency will decide on eligibility under the adequate accounting methods and procedures criterion. If the form reflects an opinion other than unqualified, a significant deficiency, a material weakness, a material noncompliance, or questioned costs, the State agency will request from the Tribal Government grantee relevant sections of the single audit report to analyze.

ii. <u>Contents of single audit report to be disclosed to State agency</u>. Tribal Government grantees will not be required to provide the State agency with copies of the financial statements, notes to financial statements, or supplementary information sections of the single audit report for purposes of assessing whether the grantee has adequate accounting methods and procedures to expend grant funds in accordance with applicable law and account for and safeguard grant funds and assets acquired by grant funds.

5. *Continual compliance with uniform funding criteria*. Throughout the term of the grant, State agencies must monitor a grantee's compliance with the applicable uniform funding criteria and take appropriate action to remedy non-compliance.

6. *Template capital outlay grant agreements*. State agencies shall utilize the applicable template capital outlay grant agreement developed by COB.

7. *Private use of capital assets*. State agencies must ensure that the private use of capital assets acquired by a grantee with State capital outlay appropriations complies with law. As a general condition to reimbursing the grantee for qualifying expenditures, the sale, lease, or license of capital assets to a private entity or an operating agreement with a private entity:

   a. must be approved by the applicable oversight entity (if any) in accordance with law; or

   b. if no oversight entity is required to approve of the transaction, the State agency must approve of the transaction as complying with law. Prior to the sale, lease, license, or operating agreement being approved pursuant to subparagraph (a) or (b) above, the State agency may, in its discretion and unless inconsistent with New Mexico State Board of Finance imposed conditions, reimburse the grantee for necessary expenditures incurred to develop the project sufficiently to make the sale, lease, license, or operating agreement commercially feasible, such as plan and design expenditures.

8. *Deviations and exceptions*. Deviations from and exceptions to these policies, procedures, and related templates require the approval of the Secretary of Finance and Administration or the Secretary's designee. More stringent or additional funding criteria and grant conditions are not deviations or exceptions and, therefore, do not require approval by the Secretary or the Secretary’s designee. Deviations and exceptions will be evaluated upon the following criteria:

   a. whether the underlying purposes of the policies, procedures, and related templates will be adequately served through other means;

   b. whether the programmatic needs of the State agency make compliance with the policies, procedures, and related templates impracticable;

c. whether specific legal requirements of the State agency or Grantee make compliance with the policies, procedures, and related templates impracticable; and

d. whether the requested deviation or exception is justified by other factors constituting good cause as determined by the Secretary of Finance and Administration or the Secretary's designee.

E. Applicability

All State agencies, unless specifically exempted by law.

F. Procedures

State Agency

1. Prepare the questionnaire or other form developed by COB to document compliance with uniform funding criteria. Only upon COB's acknowledgement that requirements have been met should State agency certify to the State Board of Finance for issuance of bonds or initiate a grant to a grantee.

2. Use applicable template capital outlay grant agreement.

COB

3. Notify State agencies that received an appropriation for the same grantee and designate a lead agency from among those agencies to coordinate the review of the grantee's compliance with the applicable uniform funding criteria and interact with the grantee regarding the prefunding assessment of the grantee's compliance with the applicable uniform funding criteria.

4. Review submitted questionnaire or other form documenting compliance with uniform funding criteria. Determine if submission is compliant. Notify State agency of determination.

5. Monitor compliance with requirements set out in the Policy and Procedures section.

G. Definitions

1. "Adequate accounting methods and procedures to expend grant funds in accordance with applicable law and account for and safeguard grant funds and assets acquired by grant funds" means that the design and operation of the Grantee's internal controls allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, on a timely basis: (i) noncompliance with applicable laws, policies, and procedures related to the expenditure of grant funds, including, but not limited to, expending grant funds after expiration of the expenditure period; (ii) misstatements regarding grant funds, including, but not limited to, the failure to timely and accurately record and report grant revenue and expenditures; (iii) unauthorized or unsupported expenditures of grant funds; and (iv) the misappropriation of grant funds or assets acquired by grant funds, including, but not limited to, theft of grant funds or assets acquired by grant funds and the use of grant funds or assets acquired by grant funds for other than allowable purposes.

2. "COB" means the Department of Finance and Administration's Capital Outlay Bureau.

3. "Material weakness" means 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.

4. "Significant deficiency" means 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.

5. "Tribal Government" means a federally recognized Indian Nation, Tribe or Pueblo located wholly or partially in New Mexico or any of its governmental entities or subdivisions

FIN 10 – Inventory

Policies and Procedures

Business Processes

Beginning of Document

FIN 10.1 Recording Inventory

A. MAP Standard

To ensure that inventory is recognized and recorded, state agencies shall maintain inventory accounting systems.

B. Purpose

This policy establishes the requirement that state agencies account for significant inventories in accordance with Generally Accepted Accounting Principles and the budgetary basis of accounting.

C. Authority

NMSA §1978, 6-5-2

D. Policy

1. SHARE agencies, apart from NMDOT, must use the purchase basis of accounting for inventories of materials and supplies.

2. The purchase basis of accounting requires that state agencies record expenditures at the time the goods and materials are received and accepted as delivered.

3. NMDOT must use the consumption basis of accounting for inventories of materials and supplies.

4. The consumption basis of accounting requires recording expenditures at the time the goods and materials are issued for use.

E. Applicability

This policy applies to all state agencies.

F. *Procedures* – Receive item into inventory

1. Receiving clerk receives inventory items, assigns location, and enters in SHARE.
2. Cost accounting is created in SHARE.
3. Journal is generated to update the inventory in the G/L.

Procedures – Issue Stock

4. An Express Issue is created in SHARE, which requests the item to be issued.
5. Express Issue is saved, and the item pulled from stores and given to requestor.
6. Cost accounting is created in SHARE.

7. Journal is generated to update the inventory in the G/L.

Procedures – Creation of a New Item

8. Using the Define the Items and Attributes link, user establishes the item in SHARE. It remains in Pending Status until approved in system.
9. Authorized Item Approver from Finance reviews and approves in SHARE.
10. After approval by Item Approver, user completes defining the item within SHARE.
11. After item is defined, it is established as a valid item for each appropriate business unit.

Procedures – Bin to Bin Transfer

12. Inventory clerk creates Transfer in the system.
13. Enters current location, quantity, and destination.
14. Save Transfer in the system.

***Procedures* – Inter Unit Transfer**

15. An Express Issue is created in SHARE, which requests the item to be issued.
16. Express Issue is saved, and the item pulled from stores and given to requestor.
17. Items transferred are reviewed by both shipping and receiving location.
18. Receiving location performs put away process.
19. Cost accounting is created in SHARE.
20. Journal is generated to update the inventory in the G/L.

***Procedures* – Quantity Adjustment**

21. Inventory Clerks enter adjustment type and quantity.
22. Agency accounting department performs an adjustment review.
23. The adjustment is saved in the system.
24. Cost accounting is created in SHARE.
25. Journal is generated to update the inventory in the G/L.

***Procedures* – Average Cost Adjustment**

26. Inventory clerk assembles request to update costs and submits to Finance section for review.

27. Finance section reviews request and then updates the Costs Page in the system, entering adjustment type and method.

28. The adjustment is saved in the system.

29. SHARE calculates new value of item.

30. Cost accounting is created in SHARE.

31. Journal is generated to update the inventory in the G/L.

***Procedures* – Return Materials**

32. The Storehouse Creates written RMA.

33. Storehouse clerk requests permission to adjust both quantity and cost from Finance section to remove returned materials.

34. If needed, clerk would reverse issuance if request approved by Finance

35. Cost accounting is created in SHARE.

36. Journal is generated to update the inventory in the G/L.

37. When new/ replacement materials received, clerk receives Returned Material.

38. Cost accounting is created in SHARE.

39. Journal is generated to update the inventory in the G/L.

FIN 10.2 Financial Reporting

A. *MAP Principle*

Inventory management should provide for a timely and accurate accounting and reporting of materials and supplies on hand.

B. *Purpose*

This policy establishes the requirement that state agencies report significant inventory amounts on the balance sheet at fiscal year-end.

C. *Authority*

NMSA 1978, §6-5-2

D. *Policy*

1. At the end of each fiscal year, inventories of materials and supplies on hand should be counted and reconciled with inventory records of goods on hand.

2. State agencies that manufacture goods must make a physical count of finished goods and raw materials on hand, and to calculate work in progress to update inventory and accounting records.

3. When significant shortages or overages are found, state agencies shall determine the cause(s) and augment internal controls as necessary to control and minimize any future occurrences.

4. State agencies must report significant inventories of materials, goods, and supplies on the balance sheet of their year-end financial statements.

E. *Applicability*

This policy applies to all state agencies.

F. *Procedures* – Physical Inventory

1. During June, inventory transactions are held for the yearly physical inventory.

2. Agency sets up the Counting Event, which will create the counting sheets (INS 9051).

3. The inventory count is performed by two people, one who counts, and the second who records the count.

4. The item counts are entered into SHARE, and a reconciliation report (INS 5050) is run to show all variances.

5. Variances are recounted and any necessary adjustments to the count are made.

6. The Stock Quantity Update adjusts the inventory counts in the system.

FIN 10.3 Inventory Valuation

A. MAP Standard

Inventory valuation methods must accurately reflect the value of inventory.

B. Purpose

This policy establishes the inventory valuation methods authorized for use by state agencies.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies that are accounting for inventories must use either FIFO (first in, first out), LIFO (last in, first out), or the Average Cost method for valuation of inventory, unless they obtain written approval to use another method from DFA/FCD.

2. Only one valuation method can be used within the same inventory.

3. State agencies using FIFO (first-in, first-out) for valuing inventory must:

    a. Use the cost of the last item(s) purchased and on hand for the valuation of each inventory item and the value for the ending inventory.

    b. Use the cost of the oldest item(s) purchased and on hand to record the cost of issuance.

4. State agencies using LIFO (last-in, first-out) for valuing inventory must:

    a. Use the cost of the oldest item(s) purchased and on hand for the valuation of each inventory item and the value for the ending inventory.

    b. Use the cost of the last item(s) purchased and on hand to record the cost of issuance.

5. State agencies using the Average Cost method for valuing inventory must:

    a. Combine the individual costs of all items and divide these combined costs by the number of items on hand.

    b. Use the resulting cost per item as the cost of issuance, the on-hand valuation of each inventory item, and the value for the ending inventory.

E. Applicability

This policy applies to all state agencies.

FIN 10.4 Tracking Significant Inventory

A. Statement

State agencies should maintain timely and accurate records when using a central stores operation for acquiring and issuing significant supplies and materials.

B. Procedures

State Agency

1. Maintain timely and accurate inventory and accounting records that record in detail: each item in the inventory, the number of units, cost, date received, and vendor for each purchase.

2. Maintain timely and accurate inventory and accounting records that record in detail: each item in the inventory, the number, cost, and purchaser for items issued out of inventory.

3. Use requisition forms to request issuances. The completed form should be signed by the requestor and should identify the account(s) to which the issuance will be charged.

4. Keep on file a list of personnel authorized to requisition items and/or to whom items can be issued from central stores.

5. Develop written procedures for performing all functions associated with a central store. These procedures should address acquisition, issuance, safeguards, physical count, write-offs, and methods to record inventory adjustments.

FIN 10.5 Safeguarding Inventory

A. MAP Standard

To safeguard inventory, state agencies must establish formal internal control structures.

B. Purpose

This policy establishes the requirement that state agencies have written policies and procedures to ensure that materials and supplies are adequately controlled and safeguarded.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies that order, receive, and store significant amounts of materials and supplies for future use, should develop written internal controls to safeguard those assets.

2. Inventory controls should provide safeguards against pilferage, fraud, fire, vandalism, theft, and irregularities caused by employees, customers, or vendors.

3. State agencies should designate a secure place for physically storing inventories and state agencies should limit access to inventories to authorized personnel.

4. State agencies should develop internal policies that limit actual quantities of and/or dollar amounts of inventories that can be kept on site.

5. State agencies should establish procedures and accounting processes to document additions, issuances, returns, and write-offs of inventory items.

6. State agencies should perform periodic reviews to verify the adequacy of the written policies and procedures and to ensure compliance.

E. Applicability

This policy applies to all state agencies.

FIN 11 – Receivables

Policies and Procedures

Business Processes

Beginning of Document

FIN 11.1 Managing Accounts Receivable

A. MAP Standard

To protect assets, accounts receivable should be actively managed.

B. Purpose

This policy establishes the requirement that state agencies actively manage accounts receivable.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. All receivables must be effectively managed.
2. State agencies must maintain detailed accounts receivable ledgers.
3. State agencies must make every effort possible to collect all accounts receivable.
4. Per Article IV, Section 32 of NM Constitution, Agencies cannot do anything that would result in a debt being forgiven or even indicate that a debt properly owed them has been forgiven or that the person owing the debt has been released from its payment.

E. Applicability

This policy applies to all state agencies.

F. Procedures

<u>State Agency</u>

1. Create Accounts Receivable into SHARE into proper classifications depending on grantor.
2. Deposits are entered in SHARE upon receipt.
3. Agency creates accounting entries, completes, and budget checks deposit in SHARE

FIN 11.2 Revenue Susceptible to Accrual

A. *MAP Standard*

To ensure that revenues are properly recognized, state agencies should accrue revenues.

B. *Purpose*

This policy establishes the criteria to be used for recording revenue.

C. *Authority*

NMSA 1978, §6-5-2.
Codification of Governmental Accounting and Financial Reporting Standards – Governmental Accounting Standards Board.
Legislation Specific to state agency, Account(s), and/or Fund(s)

D. *Policy*

1. To meet management needs, meet federal reporting requirements, and comply with state law, state agencies must recognize and record revenues.

2. State agencies should recognize and accrue revenues using either the accrual or modified accrual basis, depending on the fund type:

    a. *Governmental Fund Types* use the Modified Accrual Basis of accounting under which revenues are recognized in the accounting period in which they become susceptible to accrual. Revenues become susceptible to accrual when they are:

        i. Measurable – meaning the sum of the forthcoming revenues can be readily determined.

        ii. Available – meaning (1) the revenues legally can be used to finance current period expenditures, and (2) the revenues will be collected in the current period or soon enough thereafter for use to pay liabilities of the current period. (The cut-off for revenue recognition should not exceed ninety days.)

    b. *Proprietary Fund Types* use the Accrual Basis of accounting and recognize revenues in the accounting period in which they are earned and become measurable.

    c. *Fiduciary Fund Types* use either the Modified Accrual or Accrual Basis to recognize revenues on a basis consistent with the fund's accounting measurement objective.

        i. Nonexpendable trust and pension funds should use the accrual basis.

        ii. Expendable trust funds should adhere to the modified accrual basis.

        iii. Custodial fund types do not recognize revenues.

3. State agencies that are unable to properly account for accounts receivable may be required by FCD to account for all revenue on a “cash” basis.

E. Applicability

These policies apply to all state agencies.

FIN 11.3 Revenue Classification

A. MAP Standard

To ensure that revenue and related receivables are properly accounted for, *Cash Receipts* must be properly classified and recorded in the accounting records.

B. Purpose

This policy establishes the requirement that state agencies classify *Cash Receipts* in accordance with legal requirements, management needs, and Generally Accepted Accounting Principles.

C. Authority

NMSA 1978, §6-5-2
Generally Accepted Accounting Principles

D. Policy

1. State agencies shall accurately classify and record Cash Receipts to correctly recognize the economic event that has taken place:

   a. A receipt of revenue.

   b. A reduction of Accounts Receivable.

   c. A refund of Expenditures.

2. Recording a refund of an expenditure:

   a. CURRENT YEAR REFUND - To record a refund made in the same fiscal year in which the money was received, state agencies should use the same accounts as the original transaction, effectively reversing the entry; providing the amount does NOT exceed $500.

      i. If the amount exceeds $500.00, the agency should deposit the monies into account 290900, “Receipts Held in Suspense”. The agency must then submit a journal entry along with supporting documentation to prove the expenditure was incurred in the current fiscal year and to reclassify the amount in 290900 to the appropriate expenditure account.

   b. PRIOR YEAR REFUND - For a non-reverting fund, to record a refund of a transaction that occurred in a previous fiscal year, state agencies must use miscellaneous revenue or the same balance sheet account(s) used for the original transaction.

   c. PRIOR YEAR REFUND - For a reverting fund, to record a refund of a transaction that occurred in a previous fiscal year, state agencies cannot charge a current revenue or expenditure account but must use Due to the State General Fund (account 234900).

d. PRIOR YEAR REFUND - To record a refund of a transaction that occurred in a previous fiscal year for a multi-year appropriation that is still active, state agencies should charge the appropriate expenditure account(s) used on the original transaction.

E. Applicability

This policy applies to all state agencies.

FIN 11.4 Legal Basis for Revenue

A. MAP Standard

For state agencies to legally generate revenue, they must have specific legislative authority to do so.

B. Purpose

This policy establishes that all revenues generated by state agencies must be authorized by legislation.

C. Authority

NMSA 1978, §6-4-2 and §6-5-2

D. Policy

1. To generate revenue or enter into agreements that will generate revenue, state agencies must have specific legal authority.

2. All revenue generated must be credited to the proper fund:

3. State statute provides that all revenue not otherwise allocated by law must be credited to the State General Fund.

E. Applicability

This policy applies to all state agencies.

FIN 11.5 Unearned Revenue

A. MAP Standard

To ensure that liabilities are recognized properly, cash that is received before it is earned should be recorded as a liability.

B. Purpose

This policy establishes the requirement that state agencies use the Deferred Revenue liability account to record cash that is received before the state agency performs the services or delivers the related goods.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. When state agencies receive cash before it is earned, they should record the receipt as deferred revenue by increasing (credit) the Deferred Revenue liability account and increasing (debit) the applicable cash account.

2. Immediately upon earning the cash received, state agencies should recognize the revenue by reducing (debit) the Deferred Revenue liability account and increasing (credit) the applicable revenue source account.

3. State agencies that are unable to properly account for Deferred Revenue may be required by FCD to account for all revenue on a “cash” basis.

E. Applicability

This policy applies to all state agencies.

FIN 11.6 Revenue Source Codes

A. MAP Standard

To ensure that *Cash Receipts* are properly recorded, *Cash Receipts* must be properly identified and classified in the accounting records.

B. Purpose

This policy establishes the requirement that state agencies use only existing SHARE revenue source codes for recording revenues.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must use the revenue source codes established by FCD in the Account Chart field to record revenue in SHARE.

2. State agencies may request a new revenue source codes from the FCD Director by submitting the Account Code Maintenance Form and completing the request process in SHARE to initiate workflow.

3. All revenue source codes added to SHARE must be approved by FCD.

E. Applicability

This policy applies to all state agencies.

FIN 11.7 Use of Deposit Slip or Journal Entry to Recognize Revenue

A. Statement

This procedure addresses the methods that state agencies should use to record revenue in SHARE.

B. *Procedures* – Deposit Receipts to Recognize Revenue

State Agency

1. The procedures for receipting monies and depositing with the State Fiscal Agent Bank should be followed.

2. Enter the revenue string for the deposits that were uploaded into the SHARE Accounts Receivable Module. Revenue source codes require a valid fund, department value, budget reference, and class fields. (Affiliate and Fund Affiliate are required on certain revenue codes. See FIN 3.1A or check with the SFRAB unit for updated list).

3. Complete and Budget Check deposit. Make sure the deposit is in valid status in SHARE.

C. *Procedures* – Journal Entry to Recognize Revenue

State Agency

1. Prepare a *Journal Entry* to record as revenue receipts or accruals previously recorded as deferred revenue or deferred inflow.

2. Approve the journal entry online, add all necessary attachments and ensure level 2 approval.

FCD

3. Process the *Journal Entry* received from the state agency in SHARE.

State Agency

4. Recognize revenue and the related accounts receivable when the revenue is earned.

   a. Accrue revenue through a *Journal Entry* that debits the appropriate receivable and credits the appropriate revenue account. Prepare the *Journal Entry* in SHARE and submit via workflow to FCD for approval.

   b. Reverse the accrued accounts receivable when the related cash is received, by entering the appropriate receivable account code and corresponding accounting string when entering the deposit.

FIN 12 – Billing

Policies and Procedures

Business Processes

Beginning of Document

FIN 12.1 Billing and Draw Creation

A. MAP Standard

To ensure that state-provided resources related to the provision of goods or services are properly recognized and recorded.

B. Purpose

To establish requirements for the recognition and recording of sales transactions related to the state's provision of goods or services to parties outside of the state or to parties (agencies) within the state.

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.5 NMAC

D. Policy

1. Transactions occurring because of goods and/or services being provided by a state agency must be recognized timely. These goods or services may be in the form of grant awards, contracts, internal services (insurance, transportation, etc.) and/or unit sales (i.e., goods, including asset transfers). These sales transactions are to be recognized by billing the customer upon the initial transfer of goods or services from a state agency to another state agency or outside party.

2. Recognition of the sales transaction is to be recorded through the payment voucher process. Requesting the federal funds and entering the deposit generates the appropriate accounting entries and provides the basis for the recognition and recording of the revenue and for the transfer of asset(s) related to the transaction.

3. Reconciliation of the sales transactions is to be conducted monthly by comparing the detail of invoices, which have been generated to the accounts receivable aging schedule.
4. If a state agency is fully utilizing the SHARE Grants Module, it is to reconcile the billing originating from sales transactions and recorded within the accounts receivable subsidiary schedule to the control account for accounts receivable within the general ledger in SHARE.
5. If a state agency is not utilizing the SHARE Grants Module, reconciliation of the billing, accounts receivable and receipt of monies shall be completed via processes approved by the Federal cognizant agency.

6. Collection of outstanding accounts receivable is the responsibility of the originating agency. Balances should be reconciled monthly and reimbursement requests should be submitted timely.

E. **Applicability**

This policy applies to all state agencies providing goods and/or services.

F. Procedures

<u>Agency utilizing the Grants Module</u>

1. Complete cost allocation on a monthly basis using a series of queries from SHARE. The queries isolate expenditures by cost pool and apply appropriate statistics.

2. Use the cost sheets produced each month as the basis for "billing" or drawing federal funds.

3. Enter the draw request in the Federal System.

4. Record the request of federal funds as a deposit in the SHARE AR module.

5. Perform monthly reconciliation of federal share of expenditures to federal revenue or federal accounts receivable.

<u>Agency NOT utilizing the Grants Module</u>

6. Complete cost allocation monthly using a series of queries from SHARE. The queries isolate expenditures by cost pool and apply appropriate statistics.

7. Each month determine the costs as the basis for "billing" or drawing federal funds.

8. Record the request of federal funds as a receivable in SHARE via a Journal Entry.

9. Perform monthly reconciliation of federal share of expenditures to federal revenue or federal accounts receivable.

FIN 13 – External Systems

Policies and Procedures

Business Processes

Beginning of Document

FIN 13.1 External Systems

A. MAP Standard

To ensure the complete, accurate and timely recording of accounting transactions originating from a subsidiary system into SHARE.

B. Purpose

This policy establishes requirements of agencies who record financial transactions, which originate externally to SHARE.

C. Authority

NMSA 1978, §6-5-2.1 (A-B), (E)
Rule 2.20.5.8.C (7) NMAC

D. Policy

1. Agencies must record financial transactions occurring within a subsidiary system through an appropriate interface to SHARE. These transactions may be recorded through one of the following interface types:

    a. Voucher Build Interface

    b. All Transactions Outbound Interface

    c. Flat File Journal Import

    d. Journal Upload

    e. Time Collection Inbound Interface

    f. Voluntary Benefit Deduction Interface

2. State Agencies must reconcile the total of financial transactions recorded from their subsidiary system through to the interface point within SHARE.

3. The Financial Control Division shall approve the interface transaction upon validation that the subsidiary system detail equates to the control balance total.

4. Agencies must request approval in writing from FCD to use a subsidiary system. The approval process will include consultation with DFA, DoIT and the requesting agency.

E. Applicability

This policy applies to all State Agencies processing accounting transactions originating externally to SHARE.

FIN 13.2 SHARE Interface Systems

There are approximately 124 agencies operating within the State of New Mexico, some of which use subsystems as a form of processing financial information, which interface with SHARE. The following chart lists the type of current subsystems available for interface with SHARE:

	Interface Type
1	**Voucher Build Interface –** used by SHARE FIN to generate direct payments to payees without having to create actual payment vouchers. This interface is appropriate where an agency has a Third-Party system that tracks accounting and payments that need to be kept in line with SHARE. The "vouchers" are created in the external system and then loaded into SHARE via a voucher build.
2	**All Transactions Outbound Interface –** an outbound interface that provides data from SHARE relating to the General Ledger, Accounts Payable, Purchasing, Grants, Deposits, Payroll and warrant issuance. This is the mechanism, which provides REPORTS of activity within the modules.
3	**Flat File Journal Import –** interfacing journal entries from a third-party system into SHARE FIN via the journal entry import method. Flat file is provided in Excel format and is imported without requiring macro execution.
4	**Journal Upload –** interfacing journal entries from a third-party system into SHARE FIN via the journal upload method. Upload is provided in Excel format and requires macro execution to upload.
5	**Time Collection Inbound Interface –** used by SHARE HCM to generate time sheet entries. This interface is appropriate when an agency has a timekeeping system that utilizes a punch in/out record, or a system used outside of HCM to track worktime**.** A file is generated from the external system and uploaded into HCM through a file upload process.
6	**Voluntary Benefit Deduction Interface** – used by SHARE HCM to generate voluntary deductions from payroll for approved benefits not managed by GSD or ERISA. A file is provided from the 3rd party vendors that is loaded into the system to generate employee selected deductions.

FIN 13.3 State Agencies and Related Subsystems

Currently, the following 14 agencies send financial transactions to interface with SHARE through either Voucher Build Interface or Warrants Issued in a Third-Party System Interface:

Agency	Subsystem
Administrative Office of the Courts	Clearview
Aging & Long-Term Services	APSS (Adult Protective Services System)
Children, Youth and Families Department	FACTS
Commission for the Blind	Aware
Educational Retirement Board	Browser
Department of Finance and Administration	Local Government Subsidiary System (Grants) Salesforce - ERAP
Department of Game and Fish	License Refunds
Department of Military Affairs	US Military System
Department of Workforce Solutions	UFACTS (H & V Warrants)
Division of Vocational Rehabilitation	AWARE AS400 DCPS
Early Childhood Education and Care Department	EPICS Salesforce
General Services Department	RMIS ERISA
Human Services Department	Child Support Enforcement LIHEAP EBT – FIS
Public Employees Retirement Association	RIO
Taxation and Revenue Department	Gentax Tapestry Unclaimed Personal Income Tax (PIT) Corporate Income Tax (CIT)
STO/SIC	QED

The following agencies send time collections data to interface with SHARE HCM through data uploads:

Department of Corrections	InTime
Department of Health	KRONOS
Miner's Colfax Medical Center	Intergratime (Attendance Enterprise)

The following approved 3rd Party vendors interface with SHARE HCM for voluntary benefits deductions through data uploads:

Voya	Deferred Comp
Hartford	Voluntary Benefits
Globe Life	Voluntary Benefits
Met Life	Voluntary Benefits
Aflac	Voluntary Benefits

FIN 14 – Financial Statements

Policies and Procedures

Business Processes

Beginning of Document

FIN 14.1 Financial Statements

A. MAP Standard

To ensure agencies accept ownership and responsibility of the financial statements, agencies are required to prepare their own financial statements for their auditor to review and audit.

B. Purpose

This policy establishes requirements of agencies to prepare financial statements for auditor review.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. Agencies must prepare financial statements for all funds. These statements include:
    a. Fund Financial Statements
    b. Government-wide Financial Statements
    c. Reconciliations between Fund Financial Statements and Government-wide.
2. These statements can be prepared via Microsoft Excel or other types of software.
3. These statements are not required to be the financial statements that are submitted in the final submission of the audit report. Agencies do not need to amend the audit contract to reflect the agency will be preparing a draft of the financials. IPAs can still prepare the financials to be submitted to the State Auditor's Office.
4. Draft financials are due to the SFRAB unit 15 days before the due date of the audit.

E. Applicability

This policy applies to all State Agencies

FIN 14.2 Financial Reporting Conventions

A. MAP Standard

To ensure agencies request permission from the State Controller before any early implementation of an accounting standard, any change in accounting practices or any determination of a component unit.

B. Purpose

This policy establishes the requirement that state agencies must follow the procedures and policies established by DFA for uniform accounting standards.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. To ensure consistent and GAAP compliant accounting policies at a statewide level, agencies must discuss any new or modified financial reporting conventions with the State Controller and the SFRAB unit prior to adoption. This includes, but is not limited to, early implementation of GASB pronouncements, deviation of MAPs and determination of component units.

E. Applicability

This policy applies to all State Agencies

FIN 15 – General Accounting Reporting Requirements

Policies and Procedures

Beginning of Document

FIN 15.1 Compensated Absence Reporting

A. MAP Standard

To ensure accuracy, state agencies must comply with GASB 34, Paragraph 119, regarding compensated absences. All agencies must have a note disclosure that conforms to GASB 34.

B. Purpose

This policy establishes the requirement that state agencies are required to follow the procedures and polices established by DFA.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must include a beginning balance, additions, deletions, and the ending balance for compensated absences in the note disclosure.

2. The following example should be used a basis for this required note disclosure:

NOTE 6. COMPENSATED ABSENCES

During the year ended June 30, 2015, the following changes occurred in the compensated absence liabilities:

	Balance July 1, 2014	Increase	Decrease	**Balance June 30, 2015**	**Due in one year**
Compensated absences	$1,427,243	1,414,880	**(1,446,790)**	**1,395,333**	**1,389,230**

The portion of compensated absences due after one year is not material, and therefore, not separately presented. Substantially, all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

E. Applicability

This policy applies to all state agencies.

FIN 15.2 Transfers In and Transfers Out Reporting

A. MAP Standard

To ensure accuracy, state agencies must comply with GASB 34, regarding transfers-in and transfers-out. All agencies must have a note disclosure that conforms to GASB 34.

B. Purpose

This policy establishes the requirement that state agencies are required to follow the procedures and polices established by DFA.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must show on the fund financial statements Transfers In and Transfers Out separately. Agencies are not allowed to combine these two account codes together for the fund financial statements.

2. The following example should be used as a basis for this required note disclosure:

OTHER FINANCING SOURCES AND (USES):	Fund A	Fund B	Total
General Fund Appropriations	1,000,000		1,000,000
Transfers from Other Agencies	50,000		50,000
Transfers - Bond Proceeds appropriations		2,000,000	2,000,000
Transfers to Other Agencies	(50,000)		(50,000)
Transfers - INTRA Agency	30,000	(30,000)	-
Reversions	(2,000)		(2,000)
Total Other Financing Sources and (Uses)	$ 1,028,000	$ 1,970,000	$ 2,998,000

E. Applicability

This policy applies to all state agencies.

FIN 15.3 Presentation of Land Grant Permanent Fund

A. MAP Standard

To ensure accuracy, state agencies must comply with GASB's guidance on the accounting and presentation of the Land Grant Permanent Fund.

B. Purpose

This policy establishes the requirement that state agencies are required to follow the procedures and polices established by DFA for uniform standards.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. GASB guidance is that the primary government SFRAB is the only true Generally Accepted Accounting Principles (GAAP) financial statements.

2. A legal opinion indicates title to the land and corpus derived from the land are state assets with resulting use and distribution to be compliant with the grant agreement.

3. Nowhere in the State's documented accounting policy has authorization been provided to state sub-entities directing them to present this information in their financial statements.

    a. Sub-entity represents the individual state agencies and universities as partial pieces of the full reporting entity, the State of New Mexico as presented in its Annual Report.

4. Guidance provided by the Governmental Accounting Standards Board generally does not allow for presentation of beneficial interest in the assets of another governmental body as assets of the reporting entity. GASB indicated that reporting entities which are sub-entities of the primary government may present their share if it was consistent across the entire entity. However, given numerous state reporting entities, research indicates there is one rational way to report the LGPF to ensure sub-entity and SFRAB financial statement consistency and supports the concepts of relevance and understandability of the state's collectively published statements.

5. Therefore, compliant with GASB guidance and to address the weaknesses identified above, the Land Grant Permanent Fund (LGPF) shall be accounted for and reported as follows at the sub-entity level:

    a. The historical value of the donated federal land shall be reported as a General Capital Asset by the Commissioner of Public Lands (COPL). No further allocation or distribution shall occur and it will be carried into the primary government SFRAB unchanged in amount and characterization at year-end.

    b. At year-end, the Commissioner of Public Lands will account for, and transfer to, the beneficiaries the value of royalties, rentals and deposits currently reported as assets held in trust in a fiduciary fund. Entities receiving these assets shall report the incremental receipts consistent with actual distributions. Only assets not belonging to the state are to be reported as fiduciary assets. Depending on materiality, the inclusion of state assets in a fiduciary fund could result in a modified or disclaimed audit opinion.

c. State Investment Council (SIC), as the state sub-entity responsible for managing the LGPF, shall account for the LGPF, in its entirety, as an asset within a governmental fund. This data shall roll- up into the SFRAB unchanged at year-end. All other recipients shall cease reporting the LGPF as an asset in their financial statements, as it will be reported by SIC. Compliant with GASB 54, the fund balance shall be classified as restricted on SIC's books.

d. LGPF beneficiaries shall only report their share of distributions in the financial statement and the impact of any closing entries by the Commissioner of Public Lands that distributes previously misclassified state assets held in trust. Beneficiaries may disclose their share of assets held by SIC in a note disclosure.

   i. The state's SFRAB shall be prepared by aggregating the sub-entity financial statements.

      1. The SFRAB shall report the value of land which will roll-up from the division-level COPL report.

      2. The SFRAB shall report the value of the LGPF that will be presented based on the nature of the assets held and derived from the SIC financial statements. It will incorporate assets unallocated and shown as assets held in trust by the Commissioner of Public Lands, if applicable, and LGPF asset valuation adjustments value previously unallocated by SIC.

6. The approach described above is the preferred way to produce consistent department level and statewide SFRAB financial statements that are relevant, and support assigned accountability for these assets. Specifically, parties interested in the LGPF may access that data by reviewing the financial statements of the state sub-entity responsible for investing them, the State Investment Council, which will report 100% of the assets or by referring to the State SFRAB.

FIN 15.4 Due To or Due From Component Units and Higher Educational Institutions Reporting

A. MAP Standard

To ensure accuracy, state agencies must have in the note disclosure of the audit report a detailed listing of all the due to or due from balances related to a component unit or higher educational institution.

B. Purpose

This policy establishes the requirement that state agencies are required to follow the procedures and polices established by DFA for uniform standards.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must show in the note disclosure of their financial statements a listing of all the component units and higher educational institutions which the agency owes money, or the component unit/higher educational institution owes the agency money.

2. The following list includes component units and higher education institutions:

LIST OF COMPONENT UNITS & HIGHER EDUCATION INSTITUTIONS

143700 & 233700 related to Component Units:
Cumbres and Toltec Scenic RR Commission
New Mexico Finance Authority
New Mexico Lottery Authority
New Mexico Mortgage Finance Authority
New Mexico Renewable Transmission Authority
New Mexico Small Business Investment Corporation
New Mexico Hospital Equipment Loan Council
State Charter – Charter School (see PED website for complete listing)

143500 & 233500 related to Higher Education Institutions:

Higher Educational Institutions:
New Mexico School for the Blind and Visually Handicapped
New Mexico School for the Deaf
Eastern New Mexico University
Eastern New Mexico University Foundation
Eastern New Mexico University – Roswell Foundation
Eastern New Mexico University – Ruidoso Foundation
New Mexico Highlands University
New Mexico Highlands University Foundation
New Mexico Highlands University – Stable Isotopes Corporation
New Mexico Institute of Mining and Technology
New Mexico Institute of Mining and Technology Foundation
New Mexico Institute of Mining and Technology – Research Park Corporation
New Mexico Military Institute
New Mexico Military Institute Foundation
New Mexico State University (NMSU)
NMSU Foundation
NMSU – Arrowhead Center, Inc.
Northern New Mexico College
Northern New Mexico College Foundation
University of New Mexico (UNM)
UNM – Sandoval Regional Medical Center
UNM Foundation
UNM – Medical Group
UNM Alumni Association
UNM Lobo Club
UNM – Anderson School of Management Foundation
UNM – STC
UNM – Lobo Development Corporation
UNM – Lobo Energy, Inc.
Western New Mexico University
Western New Mexico University Foundation

FIN 16 – General Accounting Practices

[Policies and Procedures]

[Beginning of Document]

FIN 16.1 Data Integrity, Error Detection and Correction

A. MAP Standard

To ensure accuracy, state agencies should establish and follow existing internal controls that include a requirement that documents be reviewed and/or approved on-line prior to the documents being submitted to Financial Control Division (FCD).

B. Purpose

This policy establishes the requirement that state agencies adequately review the information on processing documents (and related supporting documentation) to ensure that the documents do not contain errors when submitted to FCD unless those errors require an override by FCD.

C. Authority

NMSA 1978, §6-10-2

D. Policy

1. State agencies must implement internal control procedures that will detect errors on documents prior to submitting the documents for processing.

2. In accordance with industry standards and state technology policy, state agencies should ensure employees are using unique SHARE user IDs to record and process transactions. The agency should implement procedures to ensure that IDs and passwords are never shared.

3. To safeguard assets, state agencies should establish procedures that require error corrections, to be scrutinized by a person independent of the person who made the error.

4. Documents to be imported into SHARE that are scanned will be scanned at 300 dpi (dots per inch) as per set forth in NMAC 2.2.2.9 Section B (3) (j) and the required format is Adobe Acrobat commonly known as *.PDF.

5. Documents received at FCD that contain errors of commission or omission which make it impossible, illegal, or otherwise improper to process through SHARE shall be denied and rejected back to the originating state agency.

E. Applicability

This policy applies to all state agencies that process documents through SHARE.

FIN 16.2 Verifying SHARE Reports

A. MAP Standard

To ensure that all transactions are recognized and recorded, all accounting reports must be verified for accuracy and completeness.

B. Purpose

This policy establishes the requirement that state agencies 1) Verify monthly that all transactions have been posted in SHARE, and 2) prepare any reclassification or adjusting entries as soon as they are known.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies must verify all SHARE reports monthly to their internal accounting system by performing the following steps:

    a. Verify the accuracy of the trial balance
    b. Validate the allotments
    c. Validate the deposits
    d. Validate the expenditures
    e. Validate the operating transfers
    f. Validate payroll entries
    g. Validate payroll expenditures and payroll liabilities
    h. Resolve unposted journal entries
    i. Validate collected revenue
    j. Reconcile budgeted appropriations and revenue against the general ledger

E. Applicability

This policy applies to all state agencies.

FIN 16.3 Document Numbering Conventions

A. MAP Standard

To ensure completeness, state agencies must use document-numbering conventions that allow the population of documents to be verified.

B. Purpose

This policy establishes the requirement that all state agencies are required to use document-numbering conventions when processing documents or forms through SHARE.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. State agencies that process documents through SHARE must adhere to the numbering conventions for the following document types:

    a. Purchase Orders
    b. Payment Vouchers
    c. Journal Entries
    d. Journal Vouchers
    e. Operating Transfers
    f. Deposits
    g. Budget Documents

E. Applicability

This policy applies to all state agencies that process documents through SHARE.

FIN 16.4 Unique Document Numbers

A. MAP Standard

To ensure accurate document tracking and control, state agencies must assign unique document numbers to all documents.

B. Purpose

This policy establishes the requirement that state agencies follow document-numbering conventions to track and identify SHARE documents.

C. Authority

NMSA 1978, §6-5-2

D. Policy

1. All document types processed through SHARE must have a unique document number clearly marked on the form.

2. All document numbers assigned by state agencies must be 8 characters except for journal entries, which require 10 and deposits that require 15.

3. Document numbers must be unique within each state agency for each document type by fiscal year.

4. FCD recommends the use of the system generated numbering system with SHARE.

E. Applicability

This policy applies to all state agencies that process documents through SHARE.

FIN 16.5 Documents Denied in SHARE

A. Statement

This procedure identifies the method for correcting documents that are denied in SHARE.

B. Procedures

State Agency

1. Submit in SHARE the document, in the approved and accepted format, and all required supporting documentation. Level 2 approval to initiate workflow.

FCD

2. Audit the document for proper authorization; completeness and correctness of data; and appropriateness of supporting documentation.

3. If there are errors or if the supporting documentation requires further justification or explanation, deny the document in SHARE, which returns the document to the originating state agency for correction.

State Agency

4. If a document is returned by FCD, make all necessary corrections and resubmit the document in SHARE within 2 business days. The 2-day requirement does not apply to documents submitted at year-end. These must be submitted by the deadlines established in the year-end closing instructions.

5. If the State Agency is notified by email from FCD regarding issues, the agency must correct all errors and respond back electronically within 2 business days.

FIN 16.6 Authorized Corrections

A. Statement

This procedure identifies that documents submitted to FCD are processed through SHARE as intended by the submitting state agency.

B. Authority

NMSA 1978, §6-5-2

C. Procedures

1. Correct information under the following circumstances:

    a. The supplier invoice name must match the supplier id in SHARE and reflects the same data as the data on the *Payment Voucher* or *Purchase Order*.

    b. Dollar amounts shown on *Payment Vouchers*, *Purchase Orders,* and *Warrant Cancellations* are in error by one dollar or less.

    c. Correction on a journal entry or SFRAB need to prepare a journal entry on behalf of an agency to ensure SHARE and the financial statements reconcile.

    d. Journal entry required to ensure the accounting and financial integrity of the agency to follow GAAP, GASB, State Audit Rule and MAP standards.

2. Initial any additions or changes on any manual documents and rescan the support as an attachment in SHARE, submit the entry as Level 1 and initiate workflow.

3. Any other changes may be made only if they are requested by the fiscal officer of the State agency that submitted the document and approved (initialed) by the State Controller or Deputy Director.

FIN 16.7 Responsibility for Accounting Function – Chief Financial Officer Delegation Requirements

A. *MAP Standard*

To establish accountability for the accounting function by establishing, at the state agency level, standards for the proper recording, summarizing, and reporting of financial transactions and designating one state employee at each state agency to be responsible for maintaining those standards.

B. *Purpose*

This policy establishes the requirements that all state agency's Chief Financial Officers (CFO) must comply with the CFO delegation approval by the Financial Control Division (FCD).

C. *Authority*

NMSA 1978, §6-5-2
Rule 2.20.5 NMAC

D. *Policy*

1. Statute requires that the administrative head of each agency ensure the model accounting practices, established by FCD, are followed. To ensure that model accounting practices are followed, it is incumbent upon the agency head to carry out the responsibilities of the CFO, outlined in Subsection C of 2.20.5.8 NMAC.

2. An agency head may assign the responsibilities outlined in Subsection C of 2.20.5.8 NMAC to one state employee within the agency that has the educational background, knowledge, and experience necessary to supervise, monitor, and control the state agency's accounting function.

3. The delegation must be in writing and signed by the agency head for a specific fiscal year and must be approved by FCD.

    a. If the state employee designated as CFO leaves the agency during the fiscal year, the CFO responsibilities revert to the agency head until someone else is designated as CFO and approved by FCD.

4. It is the responsibility of the CFO to ensure that:

    a. An internal control structure exists at the state agency and is functioning properly.

    b. All transactions are recorded daily in the agency's accounting records.

    c. All transactions are properly classified in the agency's records.

    d. Cash account records are reconciled timely each month to FCD's reports and to the state treasurer's reports.

e. All transactions comply with federal and state law.

f. All expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditure authority from the legislature and comply with NMSA 1978, §6-5-3, as amended.

g. All accounting systems, including subsidiary systems, are recording transactions timely, completely, and accurately. Monthly reconciliations between the subsidiary systems and SHARE must be completed. Journal entries in SHARE must be done at a minimum of monthly to record the subsidiary transaction balances into SHARE.

h. All payments to suppliers are accurate, timely and the state agency has certified they are for services rendered or goods received in accordance with NMSA 1978, §13-1-158, as amended.

i. All information requested by FCD from the state agency is provided timely and accurately, no longer than 3 business days from the date of the request.

j. All reporting of financial information must be timely, complete, and accurate, to the state agency's management and to oversight agencies and entities.

k. The state agency's annual financial statement audit is completed by the deadline established by the state auditor and SHARE and the financial statements reconcile

l. A budgetary control system, approved by the Department of Finance and Administration's State Budget Division, is in place and functioning.

m. Compliance with the retention and destruction of documents pursuant to the State Commission of Public Records and NMSA 1978, §1.21.2.1

5. Certain contingencies will need to be complied with or completed by the CFO upon approval:

    a. The CFO is to adhere to the responsibilities outlined in Rule 2.20.5 NMAC Responsibility for Accounting Function;

    b. The CFO is to review the policies and procedures outlined in the State of New Mexico Manual of Model Accounting Practices (MAPs) or other future publications;

    c. The CFO is to follow all Year-End Deadlines;

    d. The CFO is to disseminate FCD e-mail notices to agency staff as appropriate;

    e. The CFO is to complete continuing education each year as determined by FCD;

    f. The CFO is to ensure all employees payroll time is approved in HCM every pay period; and

    g. Or any other contingencies as required by the State Controller.

6. It is the sole decision of the State Controller to approve the agency's submission of the CFO designation at least annually.

7. Any non-compliance with the above may result in FCD revoking the CFO designation.

8. If at any time during the fiscal year, the CFO will be out of the office and cannot sign applicable documents that need to be processed, the agency shall submit a letter to FCD indicating the existing CFO will be out of the office and an alternate individual will be the interim CFO. The letter should state the timeframe the CFO will be out, in addition to the contact information of the alternate CFO. The letter must be signed by the agency head and submitted to FCD prior to the CFO's absence.

   a. If no communication is received, the CFO responsibilities revert to the agency head.

   b. CFO and designee must coordinate with the DFA Help Desk to configure and set-up the appropriate workflow process and procedure.

9. The Signature/Transaction Authorization Form is signed by the Delegating Authority, who is the agency head. As delegating authority, the agency head is giving the CFO the responsibility of ensuring the accounting transactions are appropriate and necessary. The CFO then delegates the authority to approve specific financial documents to appropriate employees within the agency by submitting the Signature/Transaction Authorization Form to FCD for approval. The form indicates the individuals being given the authority to sign specific documents submitted to FCD for approval and processing. The CFO/Agency Head should monitor all formal delegations quarterly and adjust as necessary. This also extends to security access in SHARE. This access should be reviewed quarterly and adjusted based on employee roles and delegation granted.

   a. To comply with *FIN 3.1* Interagency Transactions, the CFO must be authorized to sign operating transfers and journal entries.

   b. All changes to employees authorized to sign financial documents must be communicated to FCD with a new Signature/Transaction Authorization Form immediately.

      i. A new form must be filled out and signed by ALL employees authorized to sign financial document

   c. If an approved CFO leaves the agency or the position, FCD must be notified immediately; the agency head becomes CFO and a new Signature/Transaction Authorization Form must be submitted immediately; as the agency head now becomes responsible for authorizing employees to sign financial documents.

   d. The agency must then contact DFA Help Desk to configure and set-up the appropriate workflow process and procedure.

10. FCD will allow agencies to provide an alternative point of contact for Vouchers, Purchase Orders, Operating Transfers/Journal Entries, Warrant Cancellations, and Payroll processed through FCD. The CFO is still the agency's point of contact for all communications from FCD; however, in the event the CFO can't be contacted, each agency will be allowed to designate one (1) person for each document type. Ultimately, the CFO is still responsible for the agency's financial activities as outlined in Subsection C of 2.20.5.8 NMAC.

    a. When the agency needs to contact DFA, they should begin with the appropriate managers/supervisors of the bureau/unit first, then escalate to upper management as needed.

FIN 16.8 Delegating Chief Financial Officer Duties

A. Statement

The following procedures should be followed when an agency head is designating someone other than themselves as Chief Financial Officer (CFO) for the fiscal year.

B. Authority

NMSA 1978, §6-5-2
Rule 2.20.5 NMAC

C. Procedures

State Agency

1. Prepare a letter requesting approval for the delegation of the CFO duties to a state employee within the agency that has the educational background, knowledge, and experience necessary to supervise, monitor, and control the state agency's accounting functions.

    a. The letter must be on agency letterhead and signed by the agency head.

    b. The letter must contain contact information of the potential delegated state employee.

    c. A copy of the potential delegated state employee's resume must accompany the letter.

    d. The request must be submitted either:

        i. By the deadline set in the year end closing instructions for the new fiscal year, or

        ii. As soon as a new individual is selected to replace a previously approved individual if the prior approved CFO leaves either the agency or the position.

    e. If an agency does not submit a request, by default the agency head is the CFO until a future request is approved.

FCD

2. Review the request and resume to determine if the potential delegated individual is qualified to be appointed as CFO.

3. Request input from DFA Bureaus regarding the potential delegated state employee.

4. Review all information regarding the potential delegated state employee with the State Controller for a decision.

5. Prepare a letter by the State Controller with the final decision and send the letter.

a. If an approved CFO leaves the agency or the position, FCD must be notified in writing immediately; the CFO duties revert to the agency head.

b. If approved, the CFO delegation is effective for the entire fiscal year unless, the individual leaves the agency and/or position or the delegation is revoked by FCD.

i. Approval of the delegation may be contingent due to the following reasons:

1. FIN 16.9 Responsibility for Accounting Function – Chief Financial Officer Delegation Requirements D.5.

2. Temporary approval for new delegations (state employee is either new to the State or to the position)

6. If the delegation is not approved, the agency head is the CFO.

State Agency

7. Contingent Approval

a. Remedy any deficiencies noted in the approval letter.

b. Complete any training, as necessary.

c. Comply with all requirements established by oversight agencies.

8. Complete the FCD Signature/Transaction Authorization Form. While the form is signed by the agency Head, the CFO is authorizing the individual(s) to have signature authority on applicable financial documents indicated on the form. The CFO is ultimately responsible for the transactions this individual(s) approves.

a. A new form is required to be filled out when any staff changes occur and/or when a new CFO is approved.

b. In addition, all previously authorized signers will need to be re-approved each time there is a change in the staff, CFO and/or agency head.

9. Review and approve all appropriate documents that only the CFO is required to sign.

10. Submit the Agency Point of Contact Form. The CFO can designate one (1) employee for Payment Vouchers, Purchase Orders, Operating Transfers/Journal Entries, Warrant Cancellations, and Payroll processed through FCD.

11. Submit a new delegation letter if approved state employee leaves the agency or the position. During the transition, the CFO duties revert to the agency head only.

12. Submit a letter to FCD indicating an alternate CFO when the approved CFO will be unavailable to sign documents that need to be processed by FCD. The letter should indicate the timeframe the CFO is out of the office and the alternate CFO's name and contact information. The letter must be

signed by the agency head and submitted to FCD prior to the CFO's absence.

D. Applicability

This policy applies to all state agencies.

FIN 16.9 Agency Noncompliance with DFA Requirements

A. MAP Standard

To establish accountability for the accounting function by establishing disciplinary actions for non-compliance with required processing procedures and established deadlines as provided by the Department of Finance and Administration.

B. Purpose

This policy establishes the requirements that all state agencies' Chief Financial Officers (CFO) must comply with the CFO delegation approval by the Financial Control Division (FCD).

C. Authority

NMSA 1978, §6-5-2
Rule 2.20.5 NMAC

D. Policy

1. Statute requires state agencies to comply with the Model of Accounting Practices established by FCD and to implement internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules. In addition, state agencies shall implement controls to prevent the submission of processing documents that contain errors or are for a purpose that is not authorized by law.

2. With the approval of the State Controller, an agency head can delegate the CFO duties to a state employee with the appropriate and necessary experience and knowledge. Upon approval of the delegation, the individual takes on the responsibilities as noted in FIN 16.9 of this section.

3. If an agency CFO is unable to comply with the CFO responsibilities, then the State Controller can revoke the CFO designation for the agency and the CFO duties default back to the agency head.

    a. On a monthly basis, DFA staff will meet to review and discuss agency performance and issues with agency's compliance to oversight rules, regulations, and laws.

4. If the CFO is deemed to be noncompliant, then the following will occur with written notification detailing concerns and offenses sent to agency head:

    a. First time a pattern of non-compliance of responsibilities as outlined in *FIN 16.9 Responsibility for Accounting Function – Chief Financial Officer Delegation Requirements*, will be a written warning and may additional requirements such as one-on-one training or monitoring

    b. Second notice will be CFO delegation suspended for 30 days

    c. Third notice will be CFO delegation suspended for 90 days

d. Fourth notice, CFO delegation will be revoked for the remaining fiscal year and up to the following fiscal year.

e. Other actions as deemed appropriate, i.e. noncompliance such as fraud or willful disobedience warrants removal of CFO delegation immediately.

5. The following expectations will be used in determining a CFO's compliance with *FIN 16.9 Agency Noncompliance with DFA Requirements*:

a. FCD - SFRAB Unit

- Compliance with Monthly Closing Deadlines, and

- Compliance with Year-End Deadlines, and

- Compliance with SFRAB Specific Deadlines, or

- Compliance with ensuring SHARE (ACTUALS and FULLACCRUE Ledgers) reconcile with the audited financial statements, or

- Compliance with submitting agency prepared financial statements; or

- Compliance with attending required SFRAB Trainings as scheduled throughout the fiscal year, and

- Compliance with SFRAB Requests for information and/or corrections within three working days, and

- Numerous (more than three per month or continuous pattern of same rejection each month for more than two months) rejections for not having appropriate supporting documentation or completeness and accuracy of the entry.

b. Financial Management Section & Supplier Relations

- The number of rejections on warrant cancellations and W9 submissions.

- Compliance with attending required training as scheduled throughout the fiscal year.

- Compliance with fraud prevention requirements.

- Compliance with deadlines established by FCD.

c. State Budget Division

- General
  - Requests for information/fire drills or corrections responded to by deadline or (if none) in a timely manner

- BARs

- Submitted before BAR moratorium and FY closing deadlines
- All necessary copies included
- BAR form correctly identifies funds, revenues, expenditures, statutory authority and is otherwise free of errors
- SHARE reports included to prove budget availability for transfer BARs
- Proof of source of funds included for budget increase BARs
- Sufficient descriptive justification included in narrative

- HR Actions

  - Accurate, complete projections included
  - Sufficient justification for action included

- Budget Projections

  - Budget projections submitted for each BAR and Job Action
  - Budget projections correctly utilize actual expenditures based on SHARE reports
  - Budget projections show evidence of thoughtful analysis of projected expenditures through end of fiscal year

- Budget Requests

  - Submitted by statutory deadline including BRS files
  - All required copies submitted
  - Contains all required documents
  - Submissions are in line with DFA-issued budget guidelines and, for Cabinet agencies, pre-established directives
  - Sources and Uses on all BRS report columns match except for Actuals
  - In general, apparent that all forms have been reviewed and checked, allowing for minor errors or complexities such as revenue codes or fund transfers
  - Mandatory line items such as GSD and DoIT rates match schedules
  - Sufficient justification for expenditures and significant changes provided on E-4s and E-5s

- Operating Budget Submissions

  - Submitted by statutory deadline including BRS files
  - All required copies submitted
  - Contain all required documents
  - All OPBUD-3s and allotment forms signed and dated by CFO
  - Sources and Uses on all BRS report columns match except for Actuals
  - Submissions match agency’s OPBUD-2 by sources and uses except for federal changes and approved GAAP adjustments
  - In general, apparent that all forms have been reviewed and checked, allowing for minor errors or complexities such as revenue codes or fund transfers

d. Cash Control Bureau

- Timeliness of deposits

- Timeliness of Journal Entries for clearing accounts – all clearing accounts must be cleared within five days of the end of the month

- Yearly Deadlines

e. Audit Bureau

- Excessive After the Fact and Direct Pay procurements

- The number of rejections on purchase orders and payment vouchers

E. Applicability

This policy applies to all state agencies.

HUMAN CAPITAL MANAGEMENT

HR 1 – Recruitment

Policies and Procedures

Business Processes

Beginning of Document

HR 1.1 Recruit Workforce with HCM Recruitment Module – Classified

A. *MAP Standard*

To assure creation or change in job positions and classifications using only the methods and procedures authorized by state law, rules, and regulations for agencies utilizing the recruitment module in HCM.

B. *Purpose*

This policy establishes job position creation and change methods available to state agencies under the Executive Branch.

C. *Authority*

NMSA 1978, §10-9-12, §10-9-13 (A) (B)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.3.9 NMAC (10-15-05)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.4.8 NMAC (06-15-10)

D. *Policy*

1. State agency shall enter job posting into SHARE.

2. State Personnel Office (SPO) /and or agency shall review and approve job posting.

3. After job posting closed, SPO or state agency shall review applications and apply rating criteria, issue ranked list and select a candidate for hire.

E. *Applicability*

This policy applies to all classified state agencies except for:

1. officials elected by popular vote;
2. members of boards and commissions and heads of state agencies appointed by the governor;
3. heads of state agencies appointed by boards and commissions;
4. directors of department divisions;
5. those in educational institutions and in public schools;
6. those employed by state institutions and by state agencies providing educational programs and who are required to hold valid certificates as certified school instructors as defined in NMSA 1978, §22-1-2, issued by the state board of education;
7. those in the governor's office;
8. those in the state militia or the commissioned officers of the New Mexico state police division of the department of public safety;
9. those in the judicial branch of the government;
10. those in the public defender department, upon implementation of personnel policies and rules by the public defender commission;
11. those in the legislative branch of the government;

12. not more than two assistants and one secretary in the office of each official listed in Subsections 1, 2 and 3 of this section, excluding members of boards and commissions in subsection 2;
13. those of a professional or scientific nature which are temporary in nature;
14. those filled by patients of inmates in charitable, penal or correctional institutions; state employees if the personnel board in its discretion decides that the position is one of policymaking;
15. disadvantaged youth under 22 years of age regularly enrolled or to be enrolled in a secondary educational institution approved by the state board of education or in an accredited state institution of advanced learning or vocational training and who are to be employed for not more than 720 hours during any calendar year.

F. Procedures

<u>State Agency HR Staff</u>

1. Enter requisition into SHARE. Submit requisition to SPO.
2. Note: Certain SPO-identified state agencies are given full or partial line authority to post frequent positions without SPO review.

<u>SPO</u>

3. Review the job posting and determine whether job posting complies with budget, completeness, and validity).
4. If the job posting fails to pass the review, return the job posting to the originating state agency.

<u>State Agency HR Staff</u>

5. If the job posting is returned by SPO, correct the errors, and resubmit.

<u>SPO</u>

6. If the job posting passes the review, approve in SHARE and post the job.

<u>State Agency HR Staff</u>

7. Collect applications in SHARE.
8. SHARE screens applications and assigns ratings to applicants.
9. Issue ranked applicant list to agency requestor.
10. Interview and select a candidate.
11. Begin HR hire process.

HR 1.2 Recruit Workforce with HCM Recruitment Module – Non-classified

A. MAP Standard

To assure creation or change in job positions and classifications using only the methods and procedures authorized by state law, rules, and regulations for agencies utilizing the recruitment module in HCM.

B. Purpose

This policy establishes the job position creation and change methods available to state agencies.

C. Authority

NMSA 1978, §10-9-4

D. Policy

1. State agency shall advertise for vacant positions using their own systems/procedure approved for use in the unclassified agencies salary plan.

2. After job posting closed, state agency shall review applications/resumes and apply rating criteria, issue list and select a candidate from the population.

E. Applicability

This policy applies to all non-classified state agencies as defined in NMSA 1978, §10-9-4.

F. Procedures

<u>State Agency HR Staff</u>

1. HR Approver advertise vacant position in salary plan specific system in accordance with its own policies and procedures.

2. Post the job (non-classified state agencies are not required to post jobs on standard government job board).

3. Collect applications, close job posting. SHARE assigns rating to applicants.

4. Issue applicant list to requestor.

5. Interview and select a candidate.

6. Begin HR hire process.

HR 1.3 Recruit Workforce non-HCM Recruitment Module

A. MAP Standard

To assure employees compensated through HCM adheres to procedures authorized by federal and state laws, rules, and regulations.

B. Purpose

This policy establishes the guidelines for recruitment of employees outside of HCM.

C. Authority

NMSA 1978, §10-7-2
NMSA 1978, §28-1-7
NMSA 1978, §28-3-1
Immigration Reform and Control Act
Civil Rights Act of 1964
Civil Rights Act of 1991
Pregnancy Discrimination Act
Equal Pay Act of 1963
Title 1 of the Americans with Disabilities Act of 1990
Rehabilitation Act of 1973
Age Discrimination in Employment Act of 1967
Genetic Information Nondiscrimination Act
Federal Executive Order #11246

D. Policy

All agencies must follow the requirements of all federal and state laws regarding discriminatory hiring practices and the governing body's rules and regulations as set forth in the applicable laws.

E. Applicability

This policy applies to all state agencies utilizing the HCM payroll system.

F. Procedures

<u>State Agency HR Staff</u>

1. Verify the employee is eligible to work in the United States.
2. Ensure that all recruitment efforts adhere to the antidiscrimination laws.
3. Ensure the hiring process of the governing body's HR policy and procedures regarding recruitment are followed.
4. Document the process and retain all records for the required retention period.
5. Set up employee data in HCM.

HR 1.4 Recruitment of State Employee (Executive, Legislative and Judicial)

A. MAP Standard

To assure the transfer of employees, compensated through HCM, who transfer from within or between State agencies adhere to procedures authorized by federal and state laws, rules, and regulations.

B. Purpose

This policy establishes the guidelines for recruitment/transfer of employees within State agencies who utilize HCM.

C. Authority

NMSA 1978, §10-7-2
NMSA 1978, §28-1-7
NMSA 1978, §28-3-1

D. Policy

All agencies must follow the requirements of all federal and state laws regarding transferring employees between state agencies, as well as the governing body's rules and regulations as set forth in the applicable laws.

E. Applicability

This policy applies to all State agencies utilizing the HCM payroll system.

F. Procedures

An employee transfer may be interagency or intra-agency.

Intra-agency transfer.

An internal transfer within an agency is not considered a termination/hire according to FLSA or PERA rules.

State Agency HR Staff

1. Ensure that all recruitment efforts adhere to the antidiscrimination laws.
2. Ensure the hiring process of the governing body's HR policy and procedures regarding recruitment are followed.
3. Document the process and retain all records for the required retention period.
4. Set up employee data in HCM.
5. Notify PERA of the change in status or position.

Interagency transfer.

State Government is considered one employer; movement between State agencies, Executive Branch, Legislative and /or Judicial is not considered a termination per FLSA rules. PERA does consider it as a termination of the contributing entity; new application for membership and state transfer from are required.

State Agency HR Staff

Terminating Agency

1. Follow the procedures listed above for Intra-agency transfer.
2. Coordinate with the receiving agency prior to release date.
3. Ensure the benefits for leaves are transferred, paid out, or lost per the terminating agencies policies.
4. Verify that all hours worked have been accurately entered and approved prior to terminating the position in HCM. Do not inactivate time reporter.
5. Notify hiring/receiving agency transfer is ready/completed.

Hiring Agency

1. Follow the procedures listed in HR 1.3.
2. Coordinate with the terminating agency prior to transfer date.
3. Ensure the proper leave balances are recorded.
4. Verify the leave accrual date used to determine leave accruals.
5. Verify all payroll has been paid out for previous position.
6. Verify all elected benefits are being withheld.
7. PERA considers this a new hire and must receive the hire paperwork.

It is recommended that transfers between agencies only occur at the end/beginning of a pay cycle. If an agency on-boards a transfer employee in the middle of a pay cycle, the hiring agency will be charged for all employer expenses for the entire pay period in which they were hired.

If there is a break in service in HCM of even one day, in most cases the employee will be considered a re-hire and must complete any probationary requirements again.

If there is a Salary Plan Transfer, the employee must complete any probationary requirements again.

HR 2 – Human Resources

Policies and Procedures

Business Processes

Beginning of Document

HR 2.1 Position Creation/Change Process

A. MAP Standard

To assure creation or change in job positions and classifications using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes the job position creation and change methods available to state agencies.

C. Authority

NMSA 1978, §10-7-2; 10-9-12 and §10-9-4
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.3.9 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.4.8 NMAC (10-30-12)

D. Policy

All new positions created or changed shall be made pending:

a. Budget approval by the State Budget Division (SBD) of the Department of Finance and Administration (DFA).

b. Classification and organizational review and approval by the Director of the State Personnel Office (SPO) or the appropriate Oversite authority.

Note: If the position is disapproved by either DFA or the oversight authority, the documentation shall be returned to the state agency for further documentation and/or corrections.

E. Applicability

This policy applies to all state agencies utilizing HCM.

F. Procedures

<u>State Agency HR Staff</u>

1. Define a Budget Position at state agency level. Create position in PeopleSoft within parameters of the annual budget and submit to SBD for budget approval.
2. If the job requisition is returned, correct the errors, and resubmit.
3. Once the job requisition is approved the position is ready for recruitment.
4. Begin recruitment.

<u>SBD</u>

1. Review the submitted Budget Position and all supporting documentation as to compliance with annual budget, completeness, and correctness of data.
2. If the Budget Position passes review, submit for Classification/Organizational Structure Review and Approval.
3. If there are errors or if the supporting documentation requires further justification or explanation, return the documentation to the originating state agency for correction.
4. Biweekly, reconcile the new budget positions to entries in the SHARE system.

<u>Oversight Authority</u>

1. Review the submitted Budget Position and all supporting documentation as to compliance with annual budget, completeness, and correctness of data.
2. 0If the Budget Position passes review, inform Agency that Budget Position is ready for Hire Recruitment.
3. If there are errors or if the supporting documentation requires further justification or explanation, return the document to the originating state agency for correction.

HR 2.2 Hiring Process

A. MAP Standard

To assure hiring of job positions using only the methods and procedures authorized by State law, rules, and regulations.

Quality Assurance

B. Purpose

This policy establishes the job hiring methods available to state agencies.

C. Authority

NMSA 1978, §10-7-2; 10-9-4
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.2.12 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.4.12 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.5.10 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.5.12 NMAC (10-30-12)

D. Policy

1. Three methods are available to state agencies for hiring for open positions.
    a. *Standard Hire* - subject to budget availability, the state agency shall document that the hire is within the parameters set and in an appropriate pay band, or if a transfer, that the transfer is within the parameters set by allowable salary increase or decrease.
    b. *Recruitment Waiver (Recruitment through SPO)* – subject to budget availability, the state agency shall document that the hire is within the parameters set by SPO, and that the Hire is within the parameters set by the appropriate pay band, or if a transfer, that the transfer is within the parameters set by allowable salary increase or decrease.
2. For all types of hires, if the hire is outside of the parameters of the Rules and Regulations, the state agency submits documentation to oversight authority for approval prior to date entry into SHARE.
3. If the hire is disapproved, the documentation shall be returned to the state agency for further documentation and/or corrections.

E. Applicability

This policy applies to all state agencies utilizing HCM.

F. *Procedures*

State Agency/HR Staff

1. If hiring for an open position qualifies as Standard Hire and hiring is within the parameters set by the appropriate pay band, proceed with and complete the New Hire.
2. If hiring for open position does not qualify as a Standard Hire and is instead considered a Recruitment Waiver, submit documentation to the SPO that the hire is within the parameters set by emergency appointments by the SPO and that the hire is within the parameters set by the

appropriate pay band, or if a transfer, that the hire is within the parameters set by allowable salary increase or decrease.

3. If hiring for open position (Standard Recruitment Hire or Recruitment Waiver) is not within the parameters set by the appropriate pay band, state agency submits documentation, justifying the reasons for the hire not being within the appropriate parameters, to the oversight authority and requests to proceed with the New Hire.

Oversight Authority

1. Review the submitted personnel request and all supporting documentation and determine whether the hire is within the parameters set by emergency appointments and that the hire is within the parameters set by the appropriate pay band, or if a transfer, that the hire is within the parameters set by allowable salary increase or decrease.
2. If the new hire is outside the parameters review the submitted Recruitment Waiver documentation and determine whether the state agency should proceed with the hire.
3. If there are errors or if the supporting documentation requires further justification or explanation, return the document to the originating state agency for correction. Use the appropriate Document Rejection Transmittal form to identify the error(s) and needed corrections.

State Agency HR Staff

1. If the personnel action request is outside the appropriate pay band parameters and is approved proceed with and complete the New Hire.
2. If the personnel action request is outside the appropriate pay band parameters and is not approved correct the errors and resubmit.

Quality Assurance

Quarterly, reconcile the New Hire Listing to entries in the SHARE system.

Note: AOC/AODA process includes obtaining approval from AOC/AODA HR if outside salary parameters; Classified require the approval of SPO; GOVX process requires approval from Governor and Cabinet Secretary at DFA

HR 2.3 Changes in Salary

A. MAP Standard

To assure salary changes using only the methods and procedures authorized by State law, rules, and regulations.

B. Purpose

This policy establishes the pay rate change methods available to state agencies.

C. Authority

NMSA 1978, §10-7-2; 10-9-4
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.4.8 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.4.12 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.5.10 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.5.12 NMAC (10-30-12)

D. Policy

1. Two methods are available to state agencies for pay rate changes.
    a. Legislative Authorized Salary Increase – increase in state employees pay is specifically authorized by legislative action.
    b. Individual Salary Change — subject to budget availability, the state agency shall document that the salary change is within the parameters set by the Salary Compensation Plan Rules and Regulations.
2. If the salary change is disapproved by DFA or the oversight authority, the documentation shall be returned to the state agency for further documentation and/or corrections.

E. Applicability

This policy applies to all state agencies who utilize HCM.

F. Procedures

<u>State Agency HR Staff</u>

1. If the pay rate change qualifies as a Legislative Authorized Salary Increase, proceed with and complete the pay rate change process.
2. If the pay rate change does not qualify as a Legislative Authorized Salary Increase and is instead considered an Individual Salary Change, document that the salary change is within parameters and proceed with and complete the pay rate change.

3. If the Pay Rate Change does not qualify as a Legislative Authorized Salary Increase and is instead considered an Individual Salary Change and is not within parameters, document the salary change and submit for approval. Classified state agencies submit to SBD and SPO, and AOC/AODA

submit to Salary Plan Administrator. GOVX requires DFA Cabinet Secretary or the Governor's office approval.
4. After approval, enter a Pay Rate Change into SHARE.
5. SHARE system runs process approval and distributes warning for invalid data.
6. If the pay rate change request is returned by SBD, SPO or other Salary Plan Administrator, correct the errors and resubmit.
7. If the pay rate change is approved by SBD, SPO or other Salary Plan Administrator, proceed with and complete the pay rate change.
8. Biweekly, reconcile the pay rate change to entries in the SHARE system

SBD

1. Review the submitted pay rate change and all supporting documentation to ensure compliance with (annual budget, policy, completeness, and correctness of data).
2. If the pay rate change passes review, submit to oversight authority for review and approval.
3. If there are errors or if the supporting documentation requires further justification or explanation, return the document to the originating state agency for correction.

SPO or Salary Plan Administrator

1. Review the submitted pay rate changes and all supporting documentation as to completeness and correctness of data.
2. If the pay rate change passes review, inform the originating state agency to proceed with and complete pay rate change.
3. If there are errors or if the supporting documentation requires further justification or explanation, return the document to the originating state agency for correction.

HR 2.4 Personal Information

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized changes to personal information.

B. Purpose

This policy establishes requirements for changes to employee's personal information in HCM.

C. Authority

NMSA § 10.7.2
USC 26
29 CFR Part 516 Fair Labor Standards Act

D. Policy

Every employer covered by the FLSA must keep certain records for covered employees. The records must include accurate information about the employee. The basic records that an employer must maintain includes employee's full name, social security number, address (including zip code), date of birth, and sex.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

State Agency HR Staff

1. Upon hire, all employee information should be documented and retained in the employee's personnel file.
2. HCM should be set up with the information provided by the employee.
3. Verify the data entered in HCM matches the Social Security Card.

2.41 Changing an employee's name
If an employee has a legal name change, HCM should be modified to reflect the valid name. A name change could occur if an employee gets married, divorced, adopted, or goes through the court to legally change their name.

The employee would need to register the name change with the Social Security Administration and have a new Social Security card issued. If an employee requests a name change in HCM, they must provide the new Social Security card for name change.

2.42 Social Security Number Correction

Social Security cards should be requested from all new employees. If the agency is notified that the social security number in the system is incorrect by the employee, PERA, or any oversight authority, the following steps must be taken:

1. The employee must provide a copy of their current Social Security Card.
2. The agency will compare the full name and social security number in HCM to the information on the card.
3. If the legal name is different then HCM, the name in HCM must be corrected to match the card.
4. If the social security number is incorrect, the agency must notify DoIT to correct the social security number in HCM.
5. New paperwork must be provided to PERA for the name/social security number correction.

2.43 Address Correction

HCM must be updated whenever an employee relocates their formal mailing/physical address. The employee can update this information in HCM through the self-service function. If an employee does not have access to HCM self-service, then they must provide the updated information to the agency HR department for the change to occur. All terminated employee’s address should be up before W-2s are issued in January.

HR 2.5 Direct Deposit

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting, maintaining and authorizing changes to direct deposit information.

B. Purpose

This policy establishes requirements for direct deposit setup and changes in HCM.

C. Authority

NMSA § 10.7.2
15 USC 1693 et seq. The Electronic Fund Transfer Act

D. Policy

DFA allows and encourages employees to direct deposit wages. The employee may change the account used at their discretion but only one account may be active. Only DFA authorized personnel will have access to setup, modify or view direct deposit information.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>Direct deposit access for HR Staff</u>

4. HR manager will designate which personnel shall have direct deposit access.
5. HR designated personnel will complete a confidentiality agreement and submit to HR manager.
6. HR manager will submit the completed form with a request for access to DFA CPB through the CPM forms email.
7. DFA will approve or deny the request.
8. If approved, DFA will request DoIT to provide access. If denied the agency will be notified by CPB of the denial.
9. DoIT will notify the agency once the access has been granted.

<u>Direct deposit set-up</u>

1. Employee must complete the direct deposit form and provide all required information.
2. HR designate personnel must verify the information matches the documentation (voided check or

bank statement).

3. HR designated personnel will input the direct deposit information in HCM.
4. HR manager/or another designee will verify the HCM set up for accuracy.

All direct deposit information is considered confidential and should not be left in the open. Only personnel with access to HCM direct deposit set-up should have access to the documents.

Employees can change the direct deposit designee at any time; however, the agency HR department may limit the frequency of such requests. If a change is requested, it must follow the same process as a new set-up.

Direct deposit information cannot be altered while payroll is processing. It can, however, be turned off at any time. If an employee terminates from an agency, direct deposit must be turned off after the final payment of wages and terminal leave.

HR 2.6 Tax Withholding

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting, maintaining and authorizing changes to tax withholding information.

B. Purpose

This policy establishes requirements for tax withholding setup and changes in HCM.

C. Authority

NMSA § 7-3-3; 10-7-2; 10-14-5
26 USC § 3402
Federal Insurance Contributions Act

D. Policy

The State is required to withhold Federal Income Tax, State Income Tax, Social Security and Medicare from wages paid by the state. All wages paid through HCM are subject to the appropriate tax withholding based on required contribution rates and W-4 selections by employees. The employee may change their W-4 election at their discretion.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

Federal income tax withholding

5. Employee must complete a W-4 form and provide all required information to HR staff.
6. HR designate personnel must verify the information matches the employee data in HCM.
7. HR designated personnel will input the W-4 information in HCM under federal tax withholding.
8. If an employee does not provide a W-4 upon hire, they should be set to default at the single rate.
9. If an employee files as exempt, a new W-4 must be provided every year.
10. Federal tax information should be inactivated upon payout of final wages for terminated employees.
11. If a tax lock is on an employee's account, no changes can be made until the lock is released by the IRS.

State income tax withholding

1. Employee must complete a W-4 form and indicate on the form for state only.
2. Submit the form to HR staff.
3. HR designate personnel must verify the information matches the employee data in HCM.
4. HR designated personnel will input the W-4 information in HCM under state tax withholding.
5. If an employee does not provide a W-4 for state only, they should be set to default to the same as federal.
6. HCM only withholds state taxes for New Mexico.
7. State tax information should be inactivated upon payout of final wages for terminated employees.

Social Security tax withholding

1. Every employee will automatically be deducted for Social Security taxes, unless
    a. the employee's position is covered by a Section 218 agreement.
    b. the employee meets the nonresident alien exemption,
    c. the employee's wages have exceeded the social security wage limitation.
2. HR personnel must verify the social security taxes are withheld in HCM.

Medicare tax withholding

1. Every employee will automatically be deducted for Medicare taxes.
2. HR personnel must verify the social security taxes are withheld in HCM.

HR 2.7 Mandatory Withholdings

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting, maintaining and authorizing changes to mandatory withholding information.

B. Purpose

This policy establishes requirements for mandatory withholding in HCM.

C. Authority

NMSA § 7-3-3; 10-11-3: 52-5-19
Retiree Health Care Act of 1990

D. Policy

The State is required to withhold mandatory benefits from wages paid by the state. All wages paid through HCM are subject to the appropriate benefit withholding based on required contribution rates and eligibility by employees. The employee may not change these deductions.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>Public Employee Retirement withholding</u>

1. Every employee will automatically be deducted for PERA Retirement, unless
    a. the employee's position is not covered by PERA, or
    b. the employee meets the return to work exemption, or
    c. the employee's wages have exceeded the contribution cap.
2. The deducted percentage for PERA is determined by the position covered under the plan.
3. HR personnel must verify the PERA retirement deductions are correct in HCM.
4. HR will adjust PERA contributions for over/under withholding for both employee and employer contributions.

<u>Retiree Health Care Withholding</u>

1. Employees who contribute to PERA must contribute to Retiree Health Care.
2. HR staff must verify all eligible employees have RHC withholding.
3. HR will adjust RHC contributions for over/under withholding for both employee and employer

contributions.

Workers Compensation Employee withholding

Every employee who is active on the last day of the quarter will automatically be deducted for workers compensation.

GSD/RMD Admin fee withholding

Every employee who is elects a voluntary benefit through GSD will automatically be deducted for an administration fee.

Third Party withholding

Third party withholdings are the result of legal action and will automatically be deducted per the legal requirements.

There are various types of deductions for:

- Child Support Withholding
- Federal and State Tax Liens
- Student Loan Repayment
- Other Legal actions

Agencies should contact the CPB Third Party Administrator for instructions and guidance on these deductions.

HR 2.8 Termination

A. MAP Standard

To assure termination process using only the methods and procedures authorized by State law, rules, and regulations.

B. Purpose

This policy establishes termination procedures available to state agencies.

C. Authority

NMSA 1978, §10-9-4
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.10.9 NMAC (10-30-12)
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.11 NMAC (10-30-12)

D. Policy

Two processes are available to state agencies for termination.

1. *Reduction in Force (RIF)* – layoff of employees only for deletion of positions, shortage of work or funds, or other reasons that do not reflect discredit on the services of the employees – Requires State Personnel Board (Board) approval.
2. *Individual Termination* – the state agency shall document that the termination process is within the parameters set by the oversight authority.

If the termination is disapproved, the documentation shall be returned to the state agency for further documentation and/or corrections.

E. Applicability

This policy applies to all classified state agencies.

F. Procedures

<u>State Agency HR Staff</u>

1. Complete required termination documentation.
2. If a Voluntary Resignation, enter the Termination into SHARE and complete Termination process.
3. If a Dismissal for Just Cause, submit documentation to oversight authority for review.
4. If the Termination is a RIF, submit documentation to SPO for Board approval or oversight agency. State agency staff enters the Termination action into SHARE.
5. State agency enters reduction in force (RIF) actions into SHARE after approval.
6. Monthly, reconcile the Termination Listing to entries in the SHARE system

<u>Oversight Authority</u>

1. If the submitted Termination is a Dismissal for Just Cause, review the submitted supporting documentation as to compliance with regulation, completeness, and correctness of data and inform the originating state agency of procedural errors or corrections to documentation.
2. If a Dismissal for Just Cause Termination is appealed by a classified employee, the SPO Board reviews the appeal and decides whether to uphold the state agency's decision or overturn the decision and enter into a Settlement Agreement.
3. If a RIF, the SPO Board will review the submitted supporting documentation as to compliance with regulation, completeness, and correctness of data.
4. If the RIF Termination is approved by the SPO Board, inform the originating state agency to proceed with and complete the Termination process. The employee is afforded RIF rights.
5. If there are errors in the RIF Termination, or the supporting documentation requires further justification or explanation, or the RIF Termination is otherwise fails approval, return the document to the originating state agency to reconsider termination options.
6. Monthly, reconcile the Termination Listing to entries in the SHARE system.

HR 3 – Employee Benefits

Policies and Procedures

Business Processes

Beginning of Document

HR 3.1 Benefits

A. *MAP Standard*

To document and maintain employee benefit records using only the methods and procedures authorized by state law, rules, and regulations.

B. *Purpose*

This policy establishes requirements and procedures for administration and documentation of state employees.

C. *Authority*

NMSA 1978, §10-7-2, 10-7-4, 10-7-5; NMSA 1978, §10-7B and §10-7B-6; NMSA 1978, §14-2-1
NMSA 1978, §13-7

D. *Policy*

1. State agencies shall maintain a record of each employee's employment history, including benefit enrollment forms, beneficiary designations, W-4s, Direct Deposits, general deduction requests, and PERA forms in accordance with applicable state and federal law requirements and rules and regulations.

2. Employees with Self Service can review current benefits summary, health care dependent summary and dependent information.

3. General Services Department shall coordinate with DoIT for updates in SHARE upon:

    a. Receipt of contribution schedule from legislative approval.

    b. Approval of a new benefit vendor.

    c. Changes due to Interagency Benefits Advisory Committee RFP process.

E. *Applicability*

This policy applies to all state agencies who processes payroll through SHARE HCM.

F. *Procedures*

Benefit Plan Update Process

<u>General Services Department (GSD)/Risk Management Division (RMD)</u>

1. Interagency Benefits Advisory Committee (IBAC) RFP process.

2. Plan redesign changes identified by RMD Director and benefits consultant.

<u>Department of Information Technology (DoIT) and/or State Contractor</u>

3. Benefit plans updated in SHARE if required (updates made based upon GSD/RMD's needs).

<u>State's Third-Party Administrator/Benefits Staff</u>

4. Enroll or update employee group health benefits and notify agencies via email of any missed or overpaid payroll contribution deductions.

<u>State agencies</u>

5. Upon hire, rehire, or transfer from another agency, HR Representative will have employee read and sign the Benefits Eligibility Acknowledgement form.
6. Upon hire, rehire, or transfer from another agency, HR Representative will have employee read and sign the Heath Insurance Portability and Accountability Act notice.
7. Prepare Deduction or Refund Request form as directed by the Third-Party Administrator to DFA for processing.

Contribution Schedule Process

<u>GSD/RMD</u>

1. Receive new contribution schedule from Legislation.
2. Determine premiums.
3. Rates provided by GSD/RMD to DOIT.

HR 3.2 Open Enrollment Process

A. MAP Standard

To document and maintain employee benefits during open/switch enrollment using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes requirements and procedures for administration and documentation of benefits selected by state employees during open/switch enrollment.

C. Authority

NMSA 1978, §10-7-2 and 10-7B-6; NMSA §13-7

D. Policy

1. GSD/RMD holds an annual Open/Switch Enrollment, during this time employees can make defined updates or enrollments. Those employees electing to not make changes are re-enrolled by passive enrollment unless the benefit is set to terminate or otherwise directed by GSD/RMD and/or the state's third-party administer.

E. Applicability

This policy applies to all state agencies who process benefits through SHARE HCM.

F. Procedures

<u>GSD/RMD/State's Third-Party Administrator</u>

1. GSD to determine extent of yearly open enrollment elections.

2. GSD to work with DoIT to configure system for open enrollment and testing.

3. Agency HR and employee to verify changes applied correctly on affected paychecks.

HR 3.3 Administration Process

A. MAP Standard

Maintenance of employee group health benefits record by the Third-Party Administrator/State agencies using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes requirements and procedures for administration and documentation of benefits selected by state employees administered by the Third-Party Administrator/State agencies.

C. Authority

NMSA 1978, §10-7-2, §10-7B-6 and §13-7

D. Policy

1. Third Party Administrator/State agencies shall update benefit elections annually and/or upon change in employee eligibility.

    a. DoIT, on a weekly basis, will update and send State eligibility files to vendors. Third Party Administrator, on a weekly basis, will send LPB, COBRA & Legislators eligibility files to vendors. Corrections to State files will be sent to vendors on Wednesday of each week. All week and mid-week files are placed on the secure file transfer protocol (SFTP) site for pick-up.

    b. DoIT, on each pay cycle, will update and send data files to vendors for remittance.

2. State agencies are responsible for ensuring employee premium contributions are taken biweekly.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

Third Party Administrator/Benefits Staff

a. Performs an on-line procedure to determine benefit eligibility.

b. Receive employee elections via benefits website for State employees and via LPB HR Representatives for LPB employees.

c. Enter employee elections and dependent information into SHARE.

d. Performs an on-line finalization/validation and deductions updated on payroll module.

Benefits Data Update for Suppliers Process – Interface Files

<u>DoIT or State Contractor</u>

D. Data Benefit elections and/or deductions pulled for vendor supplier files.

DI. Data file placed on the SFTP site for vendors to pick-up.

HR 3.4 Leave Accrual Management

A. MAP Standard

To document and maintain employee leave benefit records using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes requirements and procedures for administration and documentation of sick and annual leave accrued and taken by state employees.

C. Authority

NMSA 1978, § 10-7, §10-7-2; NMSA 1978, § 10-9-13; NMSA 1978, § 36-1A8
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.7 NMAC
Department of Finance and Administration Policies for the Governor Exempt Employees
New Mexico Judicial Branch Personnel Rules, Part I and II
10.4.7.11 NMAC and 10.4.7.12 NMAC

D. Policy

A. State agencies are responsible for ensuring each employee Benefits Service Date in SHARE is updated upon hire and rehire. Upon transfer the gaining agency must verify the Benefits Service Date in SHARE is correct.
B. State agencies are responsible for ensuring employee leave balances are correct upon hire, rehire, and transfer.

E. Applicability

This policy applies to all state agencies except for legislative agencies:

F. Procedures

<u>State agency HR/Benefits Staff</u>

1. State agency completes a review of employee's cumulative state employment to ensure the correct Benefits Service Date is entered in SHARE.
2. State agency audits the starting annual and sick leave balances for hired and rehired employees. Agency confirms employee's enrollment in leave plans.
3. Upon the findings of a leave discrepancy, the state agency will confer with CPB Time and Labor staff. The agency will provide CPB with their leave audit and CPB will provide the agency with instruction on the resolution.
4. The state agency may enter sick leave lost or annual leave lost to correct balances.
5. CPB may also adjust sick and annual leave balances on the pay line through an Hours Adjustment Request.
6. Leave balances are updated after payroll completes through the Leave Accrual Processing, which updates the balances in SHARE database, and keeps the balances available online to the employees.

HR 3.5 Leave Donation

A. MAP Standard

To donate leave to another employee using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes requirements and procedures for donation of leave available to state employees.

C. Authority

NMSA 1978, §10-7-2, 10-7-22; NMSA 1978, §10-9-10
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.7.9 NMAC
Department of Finance and Administration Policies for the Governor Exempt Employees
New Mexico Judicial Branch Personnel Rules, Part I and Part II
10.4.7.24 and 10.4.7.25 NMAC

D. Policy

1. Employees may donate leave to another employee in the same agency for a medical emergency.

2. Two types of leave are available to employees for donation.

    a. *Annual Leave* – the employee may donate up to the full amount of his/her accumulated hours.

    b. *Sick Leave* – the employee who has accumulated more than six hundred hours of sick leave can transfer the additional amounts over 600 hours to another employee. Additional restrictions include that no more than 120 hours may be donated in any one fiscal year with the exception of the year in which an employee retires, when the employee may transfer up to 400 hours of sick leave.

E. Applicability

This policy applies to all state agencies who processes payroll through SHARE HCM.

F. Procedures

<u>State agency HR/Benefits Staff</u>

1. Employee submits request for a leave donation (annual leave/sick leave or donation request).
2. State agency receives annual leave/sick leave donation request and manually calculates the hours for donation.
3. State agency enters leave donations in SHARE on the donor and recipient’s timesheet using the appropriate time reporting codes.

4. State agency manages leave and ensures recipient’s accrued leave is exhausted prior to any use of donated leave. Upon the expiration of, or when the leave event has ceased, the agency will manually calculate the hours to be returned to the donors on a prorated basis.
5. Will ensure the employee is enrolled in the appropriate leave plan.
6. Perform enrollment audits.

<u>CPB</u>

7. Leave donations will become available for the recipient's use **after** payroll has processed the leave donations and the employee’s leave balance has been updated.

HR 3.6 COBRA Administration Process

A. MAP Standard

To document and maintain employee benefit records for no-benefits employees and separated employees using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes requirements and procedures for administration and documentation of COBRA benefits of state employees.

C. Authority

Consolidated Omnibus Budget Reconciliation Act of 1985 (Pub. L. 99-272).

D. Policy

1. State agencies are responsible for notifying employees of COBRA benefits.
2. HR Representatives immediately fax the Third-Party Administrator all COBRA notification forms when employee retires or leaves employment (does not include transfers within state agencies), or when an employee's job status changes that reduces work hours below 20 hours per week resulting in loss of benefit eligibility.
3. Third Party Administrator shall enter enrollments or waivers into SHARE.

    a. Expiration of coverage period.

    b. Cancellation of coverage by employee.

    c. Cancellation due to nonpayment.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>State agency HR/Benefits Staff</u>

1. Terminate an employee/employee loses benefits eligibility.

2. Send Third-Party Administrator the COBRA notification form.
3. Send Third-Party Administrator Notification to Terminate Benefits Due to Non-Payment for the following reasons:
    a. Benefits termination due to non-payment of premiums.
    b. The premiums were not paid via self-pay or payroll deduction on time.
    c. Benefit termination date is earlier than termination date.
    d. Employee was termination after the start of the new payroll period and the termination of benefit is earlier then the termination date in Job Data.

<u>Third Party Administrator/GSD/RMD</u>

4. Verifies if the employee is a COBRA Benefits eligible.

5. Send employee COBRA information packet within 14 days of receipt of notice of the qualifying event.

6. Receive application paperwork from employee.

7. If the employee requests benefits, then process plan enrollments.

8. Enroll employee in benefits.

Terminate Cobra Benefits Process

<u>Third Party Administrator</u>

9. Terminate COBRA benefits due to: coverage expired or employee cancelling coverage.

10. Cancellation due to nonpayment.

11. Terminate the employee billing.

12. COBRA process termination and generate coverage termination letter.

HR 3.7 COBRA Billing Administration

A. MAP Standard

To document and maintain employee benefit records using only the methods and procedures authorized by state law, rules, and regulations.

B. Purpose

This policy establishes requirements and procedures for billing to and receipt of COBRA payments by state employees.

C. Authority

Consolidated Omnibus Budget Reconciliation Act of 1985 (Pub. L. 99-272).

D. Policy

1. SunSystems shall generate billing statements to employees after receiving billing details via the SFTP site from the Third-Party Administrator.

2. GSD/Administrative Services Division (ASD) shall track and deposit receipts of COBRA payments and enter in SHARE and SunSystems.

E. Applicability

This policy applies to all State agencies.

F. Procedures

Billing Enrollment

Third Party Administrator/GSD/RMD

1. COBRA billing process requested.

2. COBRA enrollments entered in SHARE.

3. Billing enrollments generated in SunSystems via enrollment file retrieved from the SFTP site.

4. Third Party Administrator calculates the charges to each employee.

5. GSD/ASD emails or mails COBRA invoices to employees.

COBRA Benefits Payment

GSD/ASD

6. COBRA payments received from employees.

7. Enter payments into SunSystems and SHARE.

8. Process adjustments (payments x charges), credits/debits.

9. Third Party Administrator calculates the charges to each employee and sends invoice details via the SFTP site to be uploaded into SunSystems.

10. Email or mail COBRA invoices to employee.

HR 3.8 Taxable Use of State-Owned Vehicles for Commuting Purposes

A. MAP Standard

To document and maintain employee record of taxable use of state-owned vehicles for commuting purposes.

B. Purpose

This policy establishes requirements and procedures for the taxable use of state-owned vehicles for commuting purposes.

C. Authority

Internal Revenue Service Publication 15-B, Employer’s Tax Guide to Fringe Benefits (2014)
Rule 1.5.3.20 NMAC

D. Policy

State agencies shall apply the commuting rule.

E. Applicability

This policy applies to all state agencies except for:

A. Law enforcement officers with the Department of Public Safety.

F. Procedures

State Agency

1. Develop a written policy for the use of state-owned vehicle for commuting purposes.

2. Submit request to the Governor’s office through the agency’s cabinet secretary or agency head.

3. Request approval from the Director of the Financial Control Division (FCD) of the Department of Finance and Administration for the written policy.

Financial Control Division (FCD)

1. The Director of FCD shall review and act on the request from the agency.

2. Notify the requesting agency of the decision of the Director of FCD.

State Agency

1. Send State Central Fleet Authority (General Services Department) all documented approvals.

<u>Employee</u>

1. Once the policy is approved, the employee shall:

2. Reports unit value on the time sheet in SHARE HCM by using the Taxable Vehicle Use (CARTX) time reporting code.

   Note: Employee should report one-unit value per daily use.

<u>Manager/Timekeeper</u>

1. Approve reported time sheet.

<u>DFA Central Payroll</u>

1. Process payroll.

2. Issue W-2.

3. Submit W-3 wage file to the Social Security Administration.

PR 1-Time and Labor

Policies and Procedures

Business Processes

Beginning of Document

PR 1.1 Time Processing/Time Approval Process

A. MAP Standard

To ensure compliance with federal and state law, state agencies must have internal controls for handling work time reported and leave taken.

B. Purpose

This policy establishes requirements and procedures for reporting, auditing and certification of employee hours worked and leave taken.

C. Authority

NMSA 1978, §10-9-17; NMSA 1978, §10-7; NMSA 1978, §10-9-13; NMSA 1978, §36-1A8 NMSA 1978 §50-4-9
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.7 NMAC
Department of Finance and Administration Policies for the Governor Exempt Employees
New Mexico Judicial Branch Personnel Rules, Part I and Part II
10.4.7.11 and 10.4.7.12 NMAC
11.1.4 NMAC
Fair Labor Standards Act of 1938Wage Payment Act

D. Policy

Employees, Supervisors, Managers or Timekeepers must enter positive reported time into SHARE HCM for each day in the pay period by FCD's stipulated deadline. GOVEX employees only enter exceptions to include sick and annual leave.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

1. Employees, Supervisors, Managers or Timekeepers should enter time into HCM on a weekly basis. All time must be entered before noon on the Friday of the pay period ending week, except for employees that report time through a timekeeping system that is uploaded into SHARE.

2. Supervisors, Managers or Timekeepers must approve payable time entered into SHARE HCM by noon on the Friday of pay period ending week. Adjustments to time must be entered and approved by Monday morning following the end of the pay period. Only CPB can approve time older than 6 pay periods.

3. State agency HR must review and clear all time and labor exceptions in SHARE HCM daily. All exceptions must be cleared by end of day Monday following the end of the pay period.

4. The agency CFO and HR department are responsible for ensuring all time is approved and employees are paid correctly.

5. The agency CFO and HR department are responsible for auditing reported time, time approvals, and time taken by payroll by Monday afternoon following the end of the pay period. CPB recommended audit reports and queries are posted on the CPB website and are sent out by bi-weekly with reminders of outstanding exceptions and pending time approvals.

PR 1.2 Table Maintenance for Schedules, Workgroups and Task Profiles

A. MAP Standard

To ensure compliance with federal and state law, state agencies must have internal controls for employee records.

B. Purpose

This policy establishes requirements and procedures for maintaining and updating payroll schedules, workgroups, and task profiles.

C. Authority

NMSA 1978, §12-5-2
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.6.9 NMAC (11-30-00)
New Mexico Judicial Branch Personnel Rules, Part I and Part II
NMAC 10.4.7.22

D. Policy

a. Each year, prior to December 1, the Board of the State Personnel Office shall publish the dates on which legal public holidays as designated in NMSA 1978, §12-5-2, shall be observed for the next calendar year. Those dates are entered into SHARE HCM by CPB.
b. The district attorneys' offices shall observe the dates published by the New Mexico supreme court as legal public holidays.
c. The judicial branch shall observe designated holidays designated by the Chief Justice.
d. Changes in employee's workgroup or schedule are approved and entered into SHARE HCM.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

Workgroup /Task Profile Maintenance

<u>State Agency HR/Payroll</u>

1. State agency human resource personnel must review and maintain employee's workgroup and task group.
2. Request new workgroup to DoIT.

<u>State Agency HR/Payroll</u>

1. Create new task profile.
2. Update employee record with new workgroup/task profile.

3. Inform employee of changes

PR 1.3 TIME CERTIFICATION AND APPROVAL

A. MAP Standard

To ensure compliance with state and federal laws, state agencies must have internal controls for certifying timesheets and timesheet approvals.

B. Purpose

This policy establishes requirements and procedures for employees to certify the submitted timesheets are true and accurate, as well as the approval of timesheets.

C. Authority

NMSA 1978, §10-9-17; NMSA 1978, §10-7, 10-7-2; NMSA 1978, §10-9-13; NMSA 1978, § 30-23-2; NMSA 1978, §30-26-1; NMSA 1978, §36-1A-8; and NMSA 1978, §50-4-9
New Mexico State Personnel Board Rules and Regulations Rules 1.7.7, 1.7.4, and 1.7.11 NMAC
Department of Finance and Administration Policies for the Governor Exempt Employees
New Mexico Judicial Branch Personnel Rules, Part I and Part II
10.4.7 NMAC and 11.1.4 NMAC
Fair Labor Standards Act of 1938
New Mexico Wage Payment Act
29 U.S.C.§255

D. Policy

Employees certify the time they worked or leave taken by submitting their timesheets in SHARE. Each time the employee submits their timesheet, the employee will acknowledge they are certifying the time reported is a true and accurate representation of time worked in the period.

Employees may not receive public money for services not rendered. Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered.

Whoever commits paying or receiving public money for services not rendered could be charged with a fourth-degree felony.

E. Applicability

This policy applies to all state employees and agencies who process payroll through SHARE HCM.

F. Procedures

1. Employee enters their time and submits their timesheet.

2. Employee receives the timesheet affirmation to certify that the time reported is a true and accurate

representation of the time worked in the period. The employee must click the OK button to acknowledge and close the message.

3. The authorized supervisor or manager approves the timesheet confirming the reported timesheet entries. It is the responsibility of the time approver to ensure the accuracy of the time they are approving.

4. If the time approver cannot approve the timesheet entry due to the entry containing errors, the timesheet entry must be removed by the end of the pay period.

5. When it is discovered that a timesheet is inaccurate and payroll has processed, any money erroneously paid for wages or leave taken, must be paid back by the employee.

PR 1.4 TIMESHEET CORRECTIONS

A. *MAP Standard*

To ensure compliance with federal and state law, state agencies must have internal controls for accurate timesheet records.

B. *Purpose*

This policy establishes requirements and procedures for timesheet corrections outside of the agencies access to update.

C. *Authority*

NMSA 1978, §10-9-17; NMSA 1978, §10-7, 10-7-2; NMSA 1978, §10-9-13; NMSA 1978, §36-1A-8; NMSA 1978, §30-26-1; and NMSA 1978, §50-4-9
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.7 NMAC
Department of Finance and Administration Policies for the Governor Exempt Employees
New Mexico Judicial Branch Personnel Rules, NMJBPR 5, NMJBPRAWE 19
10.4.7.11 NMAC, 10.4.7.12 NMAC and 11.1.4 NMAC
Fair Labor Standards Act of 1938
New Mexico Wage Payment Act
29 .S.C.§255

D. *Policy*

1. To maintain accurate timesheet records for all employees that report time in SHARE HCM. There will be instances that require timesheets to be updated due to changing circumstances such as approval of disability, audit findings, settlement agreements, etc.
2. Timesheet corrections for reporting dates that are over 6 months old will also require a memorandum with an explanation of what occurred, verification of the requested entry, and steps being taken to avoid similar errors in the future.
3. For timesheet corrections that resulted in the overpayment to the employee, the agency must include the employee's written consent to have the payroll corrections deducted through payroll. The employee's Direct Deposit Authorization is sufficient if the signed authorization specifically addresses overpayments.

E. *Applicability*

This policy applies to all state agencies who process payroll through SHARE HCM.

F. *Procedures*

6. State agency submits the completed Timesheet Correction request to DFA for review, approval, and entry into SHARE.
7. Prior fiscal year corrections require the agency's CFO approval.
8. DFA will process complete Timesheet Correction in the pay period received. If the correction creates an error, the corrections will be reversed, and the original entries will be reentered.

9. Timesheet Corrections for overpayments must comply with CPB Overpayment process.

PR 1.5 Sick Leave Buyback

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized deductions and special requests for paychecks.

G. Purpose

This policy establishes requirements and procedures for the sick leave buyback program.

H. Authority

NMSA § 10.7.2 and 10.7.10

I. Policy

Employees who have an excess of 600 hours of unused sick leave are entitled to be paid for unused sick leave at 50% of their hourly rate of pay up to 120 hours. Employees are entitled to participate in this program only once per fiscal year per employee. The Sick Leave Buy Back process occurs twice a year and is limited to the pay day following the first full pay period in January and July.

J. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

K. Procedures

<u>State Agency Payroll Staff</u>
1. The query NMS_PY_SICK_LEAVE_OVER_600 will list all employees with sick leave balances over 600.
2. Verify employee's eligibility. Agency should track employee sick leave buyback to ensure compliance with all regulations.
3. Notify eligible employees of their current status and provide the agency request form for the SLBB program.
4. Upon receipt of the form, you may continue with processing employee request.
5. Use the Time Reporting Code (TRC) SCKBB on the eligible employee's timesheet and enter the total number of hours greater than 600 hours as shown on the employee request, do not exceed 120 hours or available excess.
6. Both SCKBB and SBBAJ must be approved for the Sick Leave Buy Back by the agency and CPB.
7. Notify CPB when the time is approved.

<u>Non-HCM Leave Accrual</u>
If an agency does not track sick leave balances in the SHARE HCM system, and the employees qualify for Sick Leave Buy Back,
1. Submit an Additional Pay form using the earn type 'NBN', showing total dollars due (Hours x Rate

of Pay x 50%) and

2. Submit a memo from the agency HR Manager stating the information on the Additional Pay form is accurate.
3. The form and memo should be emailed to CPB forms email in a timely manner to ensure processing by due date.

If the deadline is missed the request will not be honored and will be required to wait until the next eligible sick leave buyback period.

PR 1.6 TERMINAL LEAVE PAYOUT

A. MAP Standard

To ensure compliance with federal and state law, state agencies must have internal controls for the terminal leave payouts (annual leave payout) upon a state employee's termination from state government or transfer into another state branch or salary group plan.

B. Purpose

This policy establishes requirements and procedures for terminal leave payouts, upon separation from the state, or transfer to another salary group plan which does not accept annual leave balances in accordance with the agency's policy, rules, and regulations.

C. Authority

NMSA 1978, §10-7-2; NMSA 1978, §10-9-17; NMSA 1978, §10-9-13; NMSA 1978, §36-1A-8; NMSA 1978, § 30-23-2
New Mexico State Personnel Board Rules and Regulations, Rule 1.7.7 NMAC
Department of Finance and Administration Policies for the Governor Exempt Employees
New Mexico Judicial Branch Personnel Rules Part 1 and 2
10.4.7.11 and 10.4.7.12 NMAC
Fair Labor Standards Act of 1938

D. Policy

1. Terminal Leave Requests (TLVs) are processed at the employee's base pay rate, or in accordance to the agency's salary compensation plan for a maximum of 240 hours of annual leave.
2. After the employee's separation or transfer to another salary group plan, the agency may submit the complete TLV the following pay period.
3. If applicable, the agency will attach the completed Accrual Deferral Form as part of the TLV packet.
4. State employees retiring from state government that have accumulated over 600 hours of sick leave will be paid for unused sick leave over 600 hours, at a rate equal to fifty percent of their hourly rate of base pay, up to 400 hours.
5. The estate of a deceased employee shall be paid for the employee's total accrued annual leave.
6. TLVs will not be processed if the employee has outstanding payable time for leave taken or hours worked; leave balances that have not been updated; the SHARE record contains errors; or if the agency failed to submit a complete packet by the designated deadline.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

1. Separation and Retirement from state government:

   a. State agency updates Job Data, Time Reporter Data, and timesheet.
   b. Completes the TLV packet and submits the complete packet to CPB.
   c. After payroll is completed, the agency updates Time Reporter Data.

2. Rehire of state employee:
   a. Losing agency updates Job Data, Time Reporter Data, and timesheet.
   b. Gaining agency submits the TLV with the funding source information provided by the losing agency.
3. Transfer to another salary group plan:
   a. Losing agency updates timesheet.
   b. Gaining agency processes the transfer in SHARE according to their recruitment process.
   c. Gaining agency submits the TLV with the funding source information provided by the losing agency.
4. Agencies are responsible for reviewing prepared TLVs on the Monday following the pay period end, ensuring the prepared TLV is processed with the proper accrual deferral amount, if applicable.
5. Overpayment TLVs processed through the timesheet:
   a. When an employee has been paid more hours than the employee is owed, the employee's timesheet will be corrected, and the negative hours will be reflected on the TLV Report.
   b. Leave accruals are prorated based on the overpaid hours, and the over accrued leave will remain in the employee's balances.
   c. If the employee has sufficient leave being paid out, a deduction for the overpaid wages, over accrued leave reversal, and reimbursements for overpaid retirement and retiree health care contributions will be processed with the TLV.
   d. If the employee has insufficient leave to cover the overpaid wages, DFA will deduct the hours that can be collected through the TLV, reverse some of the over accrued leave, reimburse the employee for overpaid retirement contributions and retiree health care, and setup a journal entry for the balance owed by the employee. It is the agency's responsibility to collect the outstanding balance owed by the employee and have all leave balances zeroed out.
6. Overpayment TLVs processed on the pay line:
   a. If the agency could not process the overpaid hours on the timesheet through payroll, the agency must ensure that the timesheet is updated.
   b. Leave accruals are prorated based on the overpaid hours, and the over accrued annual leave will need to be entered as lost.
   c. The agency will submit the complete TLV packet with a memo, requesting DFA to process the negative hours on the pay line.
7. Agencies conduct Maintain Time Reporter Audits biweekly to ensure the completion of all TLVs.

PR 1.7 FINAL PAYCHECK-DISCHARGED EMPLOYEES

A. MAP Standard

To ensure compliance with federal and state laws, state agencies must have internal controls for final paychecks demanded by involuntarily discharged employees.

B. Purpose

This policy establishes requirements and procedures for final or last paychecks for involuntarily discharged employees, including layoffs, upon demand from the employee.

C. Authority

NMSA 1978, §10-7-2; and NMSA 1978, §50-4-4
Fair Labor Standards Act of 1938
New Mexico Wage Payment Act

D. Policy

Whenever a state agency involuntarily discharges an employee, the unpaid wages and compensation, upon demand become due immediately and should be paid to the discharged employee within five (5) days of such discharge.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

1. State agency is notified from the discharged employee the demand for their last check.
2. State agency immediately enters all timesheet entries, including the terminal leave (TLV) entries.
3. State agency completes the TLV Request, including the prorated annual leave that the employee will accrue based on outstanding payable time.
4. State agency submits the complete TLV packet, with the manual warrant request, prior to the manual warrant deadline, to pay out all wages and compensation, as soon as possible on the <u>same day</u> the demand for payment is made.
5. If the manual warrant deadline has passed, the agency will need to submit the complete TLV packet with the prorated leave accrual amounts on the TLV Request Form, with an explanation of the employee’s demand for final paycheck. This paycheck can only be processed with the regular payroll.

PR 2-Payroll Processing

Policies and Procedures

Business Processes

Beginning of Document

PR 2.1 Payroll Processing

A. MAP Standard

To ensure compliance with federal and state rules and regulations, the Department of Finance and Administration must have internal controls for documenting all aspects of payroll records.

B. Purpose

This policy establishes requirements and procedures for production of payroll records and payments of deductions and taxes due.

C. Authority

NMSA 1978, §10-9-17 (1961)

D. Policy

1. State agencies must document and submit appropriate documentation for pay adjustments to CPB in a timely manner.

2. State agencies must have time approved in HCM by noon on the Friday of the pay period end date. Adjustments to time sheets must be approved by the Monday morning following the end of a pay period. Employees must enter time on a weekly basis to ensure accuracy.

3. CPB shall pre-audit payroll requests, address and contact agencies to correct issues discovered before confirming payroll. In addition, CPB will prepare tax reporting for the quarter and W-2s annually.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>CPB</u>

1. CPB will process payroll on Tuesday morning after the pay period end date. An exception may be made to this schedule based on holidays.

2. After confirmation is complete, CPB will create check and advice documents for Self Service availability.

3. FCD will distribute warrants to agencies with employees that do not receive direct deposit.

4. CPB will complete post-payroll processing to include sending payroll data to SHARE financials.

5. The CPB website will be updated with payroll run date information.

6. State agencies must perform a reconciliation of payroll monthly.

PR 2.2 Overtime Calculations

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized deductions and special requests for paychecks.

B. Purpose

This policy establishes requirements for overtime pay.

C. Authority

NMSA § 10.7.2
Fair Labor Standards Act
2 C.F.R Part 541

D. Policy

1. Time worked in excess of 40 hours during the designated workweek shall be compensated in accordance with the provision of the Fair Labor Standards Act. Non-exempt, employees covered by the Act must receive overtime pay for hours worked over 40 in a workweek at a rate not less than time and one-half their regular rates of pay.

2. The workweek begins at 12:01 a.m. Saturday and ends at 12:00 midnight, the following Friday.

3. The FLSA does not require extra pay for weekend or night work.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>Agency Responsibilities</u>
1. Agencies are responsible for the evaluation of each employee's position and duties in order to determine their overtime status as set forth under the Fair Labor Standards Act. Some employees are exempt from the overtime pay provisions.
2. Agencies shall maintain a record on each employee containing information required by the provisions of the Fair Labor Standards Act.
3. Agencies shall determine the need for employees to work overtime and be responsible for the authorizing and payment of overtime work.

PR 2.3 Compensated Time Awards

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized hours and special requests for paychecks.

B. Purpose

This policy establishes requirements for comp time awarded hours.

C. Authority

NMSA § 10.7.2
Fair Labor Standards Act
Board Rules
Agency Policy

D. Policy

1. Compensatory time awarded hours is earned and accrued by an exempt employee in lieu of payment for additional hours worked. Agencies are not required to compensate FLSA exempt employees for additional hours worked. Compensatory time cannot be used to avoid statutory overtime compensation.

2. The Agency has the discretion to award compensatory time hours, however the Agency must have a written policy regarding compensatory time hours awarded which permits such time.

3. Compensatory time hours awarded are non-transferable, have a limit on how many hours can be accumulated, and may or may not be paid out. The Agency's written policy will dictate these rules. Where no written Agency policy exists regarding compensatory time hours, then the FLSA will be adhered to.

D. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

E. Procedures

1. Employees input all worked hours into HCM.
2. Agencies shall determine the need for employees to work overtime and approve timesheets.
3. HCM will calculate hours and accrue any excess hours into the comp time bank on a one for one basis.
4. The banked hours are reflected in the leave accrual section of the employee's pay stub.
5. Agencies will authorize usage and/or payment of any comp time banked.

PR 2.4 Comp Time Buy Back

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized deductions and special requests for paychecks.

B. Purpose

This policy establishes requirements for comp time buyback program.

C. Authority

NMSA § 10.7.2
Fair Labor Standards Act
Agency policy

D. Policy

Agencies are not required to compensate FLSA exempt employees for additional hours worked. The agency's written Compensatory time buyback policy determines how, when, and to what extent hours can be paid out. Where no written Agency policy exists the FLSA rules will be adhered to.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM which allow compensatory time to be banked.

F. Procedures

1. Employees will enter any comp time buy back on their timesheet.
2. Agencies will authorize the payment by approving the comp time buyback shown on the employee's timesheet.
3. HCM will pay any comp time buy back at the employee's current hourly rate of pay.
4. HCM will reduce the comp time leave bank by the number of hours paid out.
5. The comp time leave bank is not transferred between agencies when an employee transfers.

PR 2.5 Deceased Employee Final Pay

A. *MAP Standard*

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized deductions and special requests for paychecks.

B. *Purpose*

This policy establishes requirements and procedures for processing the death of an employee.

C. *Authority*

NMSA §10-7-2; 45-3-1301
26 U.S.C §3402.

D. *Policy*

State agencies must document deceased employees' payroll and complete all processes related to the final payment of wages and benefits.

E. *Procedure*

State Agency Payroll Staff

1. Immediately notify Central Payroll of the employee death and complete Notification of Employee Death forms.
2. Approves payable time up to inactivation date (day immediately following date of death). Inactivate workgroup (effective date the day immediately following date of death). Do not terminate the employee; Central Payroll will do this.
3. Assist beneficiary in completing proper documentation for final payments of hours worked, terminal leave payout, and any reimbursements.
4. Submits TLV to Central Payroll forms email.
5. Submit completed beneficiary paperwork to Central Payroll forms email. Packets can be located on the CPB website.
6. It is the Agency's responsibility to obtain and complete the receipt form for beneficiary payments with proper signatures. This will be provided with the warrant.
7. Upon receipt of final warrant(s) from Central Payroll the agency will be required to verify payee identity before releasing the warrant(s). Receipt must be signed, copied and placed in the employee's folder. Original copy of receipt must be returned to Central Payroll within 3 days of warrant collected by payee.
8. Notify payee they will receive a 1099-MISC form, and must report it on their income tax return.

CPB

9. CPB will process the Notification of Employee Death forms.
10. Do not terminate the employee; Central Payroll will do this.

11. Process any reimbursement to survivor.
12. Inactivate direct deposit.
13. Inactivate the Federal and State Tax.
14. Update payroll option sort key and change paycheck payee to beneficiary or DFA if no beneficiary is provided.
15. Deposit paycheck in DFA holding account if DFA is payee and reissue once beneficiary information is received.
16. Process any warrant(s) and notify Agency for pickup/distribution. Include receipt form.
17. Process the request for a 1099-MISC to the payee at calendar year end.

PR 2.6 Settlements

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized hours and special requests for paychecks.

B. Purpose

This policy establishes requirements for settlement agreements.

C. Authority

NMSA § 10.7.2
Fair Labor Standards Act
Board Rules
Agency Policy

D. Policy

DFA is responsible for processing all settlements which are characterized as wages.

F. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

G. Procedures

2.61 Court Ordered Settlements

The documentation listed below should be attached to all settlement agreement requests which are characterized as wages:

A letter, directed to Central Payroll Bureau Chief, along with a redacted version of a bona fide settlement agreement, signed by the agency human resource (HR) manager and the chief financial officer (CFO) requesting DFA to make the payment. This letter must include:

1. A summary of what you expect DFA to pay in the settlement through payroll.
2. Pay Period begin and end dates.
3. Gross pay deductions, such as unemployment insurance collected, amounts earned at other employment by pay period as stated in the settlement agreement. Attach all documentation for any gross pay deductions.
4. Verbiage as to what deductions to withhold in addition to applicable taxes. The letter should state if P.E.R.A and Retiree Health Care deductions should be withheld. If the settlement is subject to P.E.R.A deductions, the memo should specify that arrangements have been made to pay directly to the P.E.R.A any interest due.

5. Authorization for DFA to approve on your agency behalf any time that your agency does not have access to approve in the Time and Labor module of HCM.

Pay Periods involved must be stated in the actual settlement agreement, and, an Excel spreadsheet showing gross pay due, by pay period, along with applicable benefit deductions. If only P.E.R.A and Retiree Health Care benefits are to be deducted, the settlement must specifically state so.

All settlements are processed as an off cycle event. CPB will process the settlement and notify the agency for pickup/distribution of warrant when completed.

Instructions are located at CPB website. Completed settlement packets should be emailed to CPB email.

2.62 SPO Settlement

The documentation listed below should be attached to all settlement agreement requests which are characterized as wages:

A letter, directed to Central Payroll Bureau Chief, along with a redacted version of a bona fide settlement agreement, signed by the agency human resource (HR) manager, SPO Director, approval of the Cabinet Secretary of DFA signifying budget availability and the chief financial officer (CFO) requesting DFA to make the payment. This letter must include:

1. A summary of what you expect DFA to pay in the settlement through payroll.
2. Pay Period begin and end dates.
3. Gross pay deductions, such as unemployment insurance collected, amounts earned at other employment by pay period as stated in the settlement agreement. Attach all documentation for any gross pay deductions.
4. Verbiage as to what deductions to withhold in addition to applicable taxes. The letter should state if P.E.R.A and Retiree Health Care deductions should be withheld. If the settlement is subject to P.E.R.A deductions, the memo should specify that arrangements have been made to pay directly to the P.E.R.A any interest due.
5. Authorization for DFA to approve on your agency behalf any time that your agency does not have access to approve in the Time and Labor module of HCM.

Pay Periods involved must be stated in the actual settlement agreement, and, an Excel spreadsheet showing gross pay due, by pay period, along with applicable benefit deductions. If only P.E.R.A and Retiree Health Care benefits are to be deducted, the settlement must specifically state so

All settlements are processed as an off cycle event. CPB will process the settlement and notify the agency for pickup/distribution of warrant when completed.

Instructions are located at CPB website. Completed settlement packets should be emailed to CPB email.

2.63 Agency Settlement

The documentation listed below should be attached to all settlement agreement requests which are characterized as wages:

A letter, directed to Central Payroll Bureau Chief, along with a redacted version of a bona fide settlement agreement, signed by the agency human resource (HR) manager and the chief financial officer (CFO) requesting DFA to make the payment. This letter must include:

1. A summary of what you expect DFA to pay in the settlement through payroll.
2. Pay Period begin and end dates.
3. Gross pay deductions, such as unemployment insurance collected, amounts earned at other employment by pay period as stated in the settlement agreement. Attach all documentation for any gross pay deductions.
4. Verbiage as to what deductions to withhold in addition to applicable taxes. The letter should state if P.E.R.A and Retiree Health Care deductions should be withheld. If the settlement is subject to P.E.R.A deductions, the memo should specify that arrangements have been made to pay directly to the P.E.R.A any interest due.
5. Authorization for DFA to approve on your agency behalf any time that your agency does not have access to approve in the Time and Labor module of HCM.

Pay Periods involved must be stated in the actual settlement agreement, and, an Excel spreadsheet showing gross pay due, by pay period, along with applicable benefit deductions. If only P.E.R.A and Retiree Health Care benefits are to be deducted, the settlement must specifically state so.

All settlements are processed as an off cycle event. CPB will process the settlement and notify the agency for pickup/distribution of warrant when completed.

Instructions are located at CPB website. Completed settlement packets should be emailed to CPB email.

PR 2.7 Lost/stolen Warrants

A. MAP Standard

To ensure compliance with state and federal regulations, state agencies and the Department of Finance and Administration (DFA) must have internal controls for documenting authorized deductions and special requests for paychecks.

B. Purpose

This policy establishes requirements and procedure for lost and/or stolen warrants.

C. Authority

NMSA § 10.7.2

D. Policy

Missing or lost warrants that have been issued through HCM and have not been paid may be reissued utilizing the *Altered or Forged Signature Affidavit for Duplicate Warrant* form. This procedure defines how to process a duplicate warrant.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>State Agency Payroll Staff</u>

1. Notifies CPB of any lost/stolen warrant.
2. Researches and verifies warrant information for completion of affidavit of lost or stolen warrant.
3. Submit the completed notarized affidavit to the CPB forms email address.
4. Sends the original notarized affidavit to CPB via mail.
5. Picks up the replacement warrant.
6. Provides the employee with the reissued warrant.

<u>CPB</u>

A. Verify in Wells Fargo that the warrant is outstanding.
B. Ensure warrant information on Affidavit matches payroll information in HCM.
C. Notify STO to issue a stop payment for the warrant.
D. Upon confirmation from STO, process a Payment Voucher in FIN for the payment to be reissued through a B warrant.
E. Notify FCD that the voucher is pending in FIN for approval.
F. Upon notification of warrant approval and process completed, notify agency that the warrant is available for pick up.

PR 2.8 Payroll “A” Warrant Cancellations

A. Statement

Warrants that are destroyed, lost, damaged or never received should be cancelled on a timely basis. This procedure identifies how agencies request that an “A” warrant (payroll) be canceled, and a replacement be issued.

B. Procedures

<u>State Agency</u>

1. Send a completed and notarized affidavit from the party requesting the reissue of a warrant to CPB.

<u>CPB</u>

2. Issue a stop-payment request to STO for the warrant included in the affidavit. If the stop payment cannot be issued because the subject warrant has already been paid by STO, CPB will work with the Financial Management Section of DFA – FCD to request that the principal complete the DFA FCD SHARE Altered or Forged Signature Affidavit for Duplicate Warrant form prior to issuing a new warrant.

    a. If an “A” warrant is in state possession, CPB cancels active register in Wells Fargo CEO system and processes an off-cycle adjustment and reversal.

    b. In the case of a forged warrant, the principal applying for a duplicate warrant must file a Bond for Duplicate State Warrant to the State of New Mexico for the original warrant amount to indemnify the State from all financial losses arising from the unauthorized diversion of the original warrant and the issuance of the duplicate warrant. The principal requesting the duplicate warrant must sign the DFA FCD SHARE Altered or Forged Signature Affidavit for Duplicate Warrant stating that the original warrant was endorsed and deposited because of a forged signature by another principal. The State’s Fiscal Agent Bank may also require additional forms to be completed. Note: The warrant cannot be reissued until the monies have been returned to STO by the cashing bank.

3. Prepare a payment voucher using SHARE Fund 72400 - Payroll Reissue Account for the warrant to be reissued, and forward verification of stop payment from STO to the FCD Director or Deputy Director for approval. The request to reissue an employee payroll warrant must be supported by an affidavit attached to the Warrant Cancellation form. Note: The replacement warrant will be a vouchered payment “B” warrant.

    a. Prepare a journal entry to reestablish cash to Fund 72400 – Payroll Reissue Account for the affidavit amount and payment voucher. The entry will be a debit to account 101981 – Interest in SGFIP WFB A Warrant, and a credit to account 292900 – Other Liabilities.

4. Verify that the replacement warrant issued matches the payment voucher submitted.

5. Send the replacement warrant for employees to their respective state agency.

6. Verify that a warrant issued to replace a cancelled warrant is a duplicate of the original warrant, except that it may have a different warrant number and issue date and corrections to errors that caused the cancellation of the original warrant. A warrant endorsed by the original payee to another party and then lost, must be reissued to the original payee, although the party to whom the warrant was endorsed may request a duplicate warrant.

7. If a payroll reversal is returned insufficient, CPB creates an OPR Journal to set up a receivable for agency crediting 101981 and debiting 139901.

PR 3-Third Party Processes

Policies and Procedures

Business Processes

Beginning of Document

PR 3.1 Accounts Payable

A. MAP Standard

To ensure compliance, the Department of Finance and Administration (DFA) must have internal controls for all aspects of payroll deductions due to vendors.

A. Purpose

This policy establishes requirements and procedures for deductions' accounts payable due for each pay period.

B. Authority

NMSA 1978, §10-9-17 (1961)

C. Policy

The DFA Central Payroll Bureau (CPB) shall produce all reports necessary for pay period accounts payable, post SHARE HCM to the general ledger, and disburse all warrants due to employees and vendors.

D. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

E. Procedures

CPB

a. Perform extract of credit entries (identify credit entries).

b. Generate reports and extract the Deduction Register (employee and employer data), Pay Register (gross-to-net data), Payroll Summary (summarized employee and employer data), and third-party interface data files.

Accounts Payable

c. Third-party files are created and sent to a secure website and confirmation of B-Warrant payment amounts for third party are verified and confirmed by DFA Operations Manager for validation and are then printed.

d. Processes are run to create third party checks and ACH payments.

e. Perform cost distributions and post to Projects and FIN General Ledger.

f. Update Financial General Ledger.

PR 4-Compliance Reporting

Policies and Procedures

Business Processes

Beginning of Document

PR 4.1 Tax Reporting Process

A. MAP Standard

To ensure compliance, the Department of Finance and Administration must have internal controls for all aspects of payroll deductions and taxes due.

B. Purpose

This policy establishes requirements and procedures for deductions' accounts payable and taxes due for each pay period.

C. Authority

NMSA 1978, §10-9-17 (1961)

D. Policy

The Department of Finance and Administration Central Payroll Bureau shall produce all reports necessary for state and federal tax payments, 941 quarterly reports and annual W-2 and W-3 reporting.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

CPB

Monthly Process

1. CPB will upload CRS-1 tax form to TRD TAPS system by the 25th of the following month.

Quarterly Process

2. CPB will file the 941 with the IRS by the end of the month following the end of a quarter.

Yearly Process

3. CPB will submit W-3 to SSA and issue employee W-2s by the IRS deadline.

PR 4.2 W-2 Form (Year-End Process)

A. MAP Standard

To ensure compliance, Department of Finance and Administration must have internal controls for documenting year-end reporting of employee pay.

B. Purpose

This policy establishes requirements, procedures documenting, and reporting payroll data.

C. Authority

NMSA 1978, §10-9-17 (1961)

D. Policy

1. CPB and DOIT shall assure that all relevant state and federal regulations are current in the SHARE system.

2. CPB shall create and audit W-2 data to assure accuracy at year-end.

3. CPB shall create and print W-2s for distribution for those employees who did not opt-out or have terminated employment, create files for federal reporting and create self-service W-2s.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>CPB</u>

1. CPB and DoIT will run year-end processes and validate data.

2. CPB will make W-2s available through self-service.

3. CPB will print and distribute W-2s for all employees who have not opted out of printing or terminated employment.

4. CPB will file the W-3 with the SSA.

<u>State Agency</u>

5. Distribute W-2 to employees.

6. Salary Plan Administrators will complete and submit a reprint W-2 request to the CPB forms email address. DFA will reprint the W-2 and distribute to the employee per the form request.

PR 5-Reporting in FIN

Policies and Procedures

Business Processes

Beginning of Document

PR 5.1 Commitment Accounting

A. MAP Standard

To ensure compliance with the Personnel Act regarding recording of employee compensation.

B. Purpose

This policy establishes requirements and procedures for employee budget, confirmation of data and general ledger posting for each pay period.

C. Authority

NMSA 1978, §10-9-17 (1961)

D. Policy

1. The Department of Finance and Administration Central Payroll Bureau (CPB) shall review agency department budgets and Chart fields after payroll confirmation.

2. CPB shall distribute payroll data and upload into the general ledger.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>Setup</u>

1. Department Budget Table (Accounting Defaults)/Accounting Tables (From GL) Chart field Review & Analysis.

2. SHARE sends the information/data to the Payroll Process.

<u>Time & Labor/Payroll</u>

3. After confirmation of payroll, distribution of actuals, GL interface and extracts, journals are edited and posted by CPB.

PR 5.2 Project Costing

A. MAP Standard

To ensure the timely and accurate collection of expenditure data related to program specific projects.

B. Purpose

This policy provides state agencies the ability to organize financial information for the purposes of accounting, analysis, monitoring, billing, and reporting on projects.

C. Authority

NMSA 1978, §6-5-2 (2003)
Rule 2.20.5 NMAC (8-29-03)

D. Definition

A project is defined as an activity requiring the grouping and organization of financial transactions to monitor and report on the conditions of that activity. Sub-activities of the project may be defined to develop the detailed work requirements of the project.

E. Policy

1. The project costing module in SHARE will be used to accumulate and summarize project budgets, time and labor details, encumbrances, expenditures, cost allocations, operating transfers, and journal entries. Project costing is not to be used for accounting for state-sponsored grants to school districts, municipalities, and counties unless the expenditures are related to a major capital acquisition or construction project, properly accounted for in a capital projects fund.

2. Project costing can be used in conjunction with grants to account for grants or used independently to account for non-grant capital projects. Agencies must work closely with DFA and DoIT before the project costing module can be used. Please refer to Section 2.3.

3. Based upon the reporting periods as required of the project monitor, state agencies shall run project information reports to create expenditure reports and/or billing information for the appropriate period. The information shall be reviewed for accuracy and verification of detail information. Documentation shall be gathered, as required, to support reporting requirements of the project monitor or third parties to the project.

F. Applicability

This policy applies to all state agencies with the responsibility of tracking and monitoring projects.

G. Procedures

<u>State Agency</u>

1. Legislature approves budget or Grants Management requests and provides budget.
2. The agency shall define and document business processes and internal controls to ensure accurate and timely setup and management of project costing data and functionality. The agency shall review and update these processes on an annual basis.

PR 5.3 Payroll to General Ledger Process

A. MAP Standard

To ensure compliance, the Department of Finance and Administration (DFA) must have internal controls for all aspects of payroll postings to the general ledger.

B. Purpose

This policy establishes requirements and procedures for recording and posting payroll journals for each pay period.

C. Authority

NMSA 1978, §10-9-17 (1961)

D. Policy

1. After payroll process is complete, the DFA Central Payroll Bureau (CPB) shall retrieve payroll data from SHARE HCM and confirm completeness and accuracy.
2. The DFA CPB shall then process payroll journals, budget check, and post payroll data into the general ledger in SHARE. Any errors discovered during the budget check and posting will be resolved with the state agency prior to completion of posting.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

<u>CPB</u>

1. After payroll confirmation, cost distribution, and third-party interface, CPB works with state agencies to resolve issues and correct journal entries.
2. If errors occur where a fund/department comes across from HCM that does not belong to the business unit, then the agency's default fund/department is applied to the PR Journal to correct the invalid fund/department. CPB also works with the state agency to resolve funding source issues. Once the corrections have been made to the PR Journal then CPB runs an online edit and post to the General Ledger.

<u>Procedures for Child Support EFT (Electronic File Transfers)</u>

3. CPB prepares the documentation that goes out to all business units that have Child Support EFTs in HCM and creates a file APMCSPXXX, XXX = sequential number, which then gets uploaded as a DFA source in SHARE Financials.

4. The Child Support EFT documentation is received by the DFA Financial Management Bureau for

review and posting of the data to the GL.

PR 6-HCM Maintenance

Policies and Procedures

Business Processes

Beginning of Document

PR 6.1 HCM System Maintenance

A. MAP Standard

To ensure compliance, the Department of Finance and Administration must have internal controls for maintaining and updating the system.

B. Purpose

This policy establishes requirements and procedures for updating the SHARE HCM system.

C. Authority

NMSA 1978, §10-9-17 (1961)

D. Policy

1. DoIT shall manage requests for new earnings and deduction codes.

E. Applicability

This policy applies to all state agencies who process payroll through SHARE HCM.

F. Procedures

State Agency/HR Payroll

2. Request payroll table maintenance into SHARE.
3. Agency HR enters and updaters employee earnings and deductions in SHARE