New Mexico Department of Health

Performance Contract Management
November 15, 2004

Report to
The LEGISLATIVE FINANCE COMMITTEE

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DAVID ABBEY
DIRECTOR

November 15, 2004

Michelle Lujan Grisham, Secretary
New Mexico Department of Health
1190 St. Francis Drive
Harold Runnels Building
Santa Fe, New Mexico 87504

Dear Secretary Grisham:

On behalf of the Legislative Finance Committee (Committee), we are pleased to transmit our review of performance contract management.

The review team interviewed key personnel, examined documents, surveyed best practices and analyzed data provided by the Department of Health (Department). The contents of the report were discussed with your designee and staff at the exit conference held on September 1, 2004. The report will be presented to the Committee on November 15, 2004.

We believe that this report addresses issues the Committee asked us to review and hope that the Department will benefit from our efforts. We appreciate your staff's cooperation and invaluable assistance.

Sincerely,

David Abbey

David Abbey
Director

DA/SRF/yr

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EXECUTIVE SUMMARY

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The Department is required to increase contract oversight and accountability

The General Appropriation Act of 2004 contained language stating that "The general fund appropriation to the department of health in the contractual services category in all programs is contingent upon the department including performance measures in its outcome-based contracts to increase oversight and accountability." This review was conducted to ensure that the Department of Health (Department) complies with this requirement in fiscal year 2005. The objectives were to determine:

- Whether contracts contain meaningful performance measures,
- Whether an effective contract monitoring system, including policies and procedures, is in place or planned to ensure adequate contract oversight and accountability, and
- Whether a complete contract listing is available.

Contract list completeness could not be validated

Performance contracting strikes a balance between the public sector's requirement for accountability, uniformity and transparency and the need to develop more effective service delivery systems. The use of performance-based contracts to acquire services offers a number of potential benefits. Performance-based contracts can encourage contractors to be innovative and to find cost-effective ways of delivering services. By shifting the focus from process to results, performance contracting holds the promise of better outcomes and reduced costs.

Outcome measures were not used

Review of a judgmentally selected sample of 35 fiscal year 2004 contracts and 10 fiscal year 2005 contracts indicated the following results:

- No performance outcome measures were included.
- A standardized contract monitoring system is not in place, although one is planned.
- Policies and procedures are fragmented and out of date.
- The administrative audit process is completely informal and could not be tested.
- Contract format is inconsistent.
- Vendor performance is not documented or tracked centrally and sanctions were rarely applied.
- Contract list completeness could not be validated.

The Department may not be legally compliant

If detailed deliverables suffice to meet the language requirement in the General Appropriation Act, then the Department is statutorily compliant. The Legislature may need to clarify statutory intent regarding the type of performance measures that are required. Department management considers the statutory performance measure requirement to be met if the scope clearly defines and articulates quantifiable deliverables that are

consistent with program and contract mission and goals. However, effective performance-based contracting requires the use of outcome measures.

Internal efficiency and effectiveness measures were not implemented

The Department did not implement stated plans to improve internal efficiency and eliminate service duplication. The creation of a Contracts and Grants Bureau in July 2004 is a good start, but the Department needs to build contract oversight, administration and contract writing capacity to design effective performance-based contracts and monitor program outcomes.

Department-wide prioritization did not occur and performance was not considered in program reductions

No department-wide strategic planning and prioritization process occurred, and performance was not reflected in applying program reductions. Each division was allowed to internally evaluate and prioritize its programs, under general direction from the Department Secretary, and to recommend which programs could or should be cut. Contractor or program performance was not considered when the Department recommended reductions.

Performance contracting has not been implemented

The Department has incorporated some positive performance contracting attributes into its contract management system, such as monitoring performance with regular reporting, providing performance feedback to contractors and requiring corrective action, as well as requiring contractors to report results. However, full implementation of performance contracting may require the Department to involve contractors in developing performance standards and outcome targets, include hold-harmless clauses in first-year contracts and provide comparative performance data to contractors. The Department must also ensure that performance outcome data and associated systems are reliable, valid and properly benchmarked.

A statewide approach to performance contracting may be more effective

A centralized approach to performance-based contracting practices would be effective, hasten implementation and enhance desired service-delivery outcomes. In 2003, the Legislative Finance Committee introduced House Bill 338, the Contract Management Act. Among other things, the proposed legislation required (1) the use of performance outcome measures in contracts and (2) the Department of Finance and Administration to develop a comprehensive system for managing the development and oversight of professional services contracts entered into by state agencies. Similar recommendations were made by the Florida Governor's Chief Inspector General. The proposed Contract Management Act was vetoed by the Governor.

A follow-up review is recommended

A follow-up review to be conducted after the Department has a reasonable time to implement planned contract management system improvements will help reassure the Legislature, the public and various

constituencies that Department oversight and accountability has improved that professional services funding is aligned with strategic goals and objectives, and that contractor performance outcomes are effectively achieved and monitored.

Recommendations

- Implement and document an agency-wide strategic planning and prioritization process.
- Develop a core set of strategically linked outcome indicators and data collection procedures that can be used for contracts in each particular service area.
- Include performance outcome indicators in contracts, as well as output measures and deliverables.
- Include strategically linked performance outcome measures in joint powers agreements and memoranda of understanding and agreement.
- Standardize and document the performance monitoring, auditing, oversight and pre-payment approval processes.
- Build oversight, administration and contract-writing capacity.
- Document vendor performance, maintain the information in a central repository and make information available on an agency-wide basis.

REVIEW INFORMATION

Background. Management of professional services contracts for New Mexico state government has been a concern and issue for review by the Legislative Finance Committee (Committee) for several years. The Accountability in Government Act (AGA) and performance-based budgeting create an environment for meaningful improvements, such as:

- Shifting the focus from the mechanics of proper contract processing to the results of contractor performance,
- Including performance measures that provide clarity for contractors on standards to be met and that allow an agency to evaluate contract services provided,
- Including accountability or enforcement clauses that allow recovery of penalties or payment withholding until successful contract completion, and
- Developing guidelines for consistent and adequate program oversight (including progress reports, activity data, site visits, inspections and outcomes).

The rationale behind performance-based contracting is the public need to ensure that every public dollar spent has impact, as well as the sense that government could and should learn about management from business. It strikes a balance between the public sector's requirement for accountability, uniformity and transparency and the need to develop more effective service delivery systems. The use of performance-based contracts to acquire services offers a number of potential benefits. Performance-based contracts can encourage contractors to be innovative and to find cost-effective ways of delivering services. By shifting the focus from process to results, performance contracting holds the promise of better outcomes and reduced costs.

In 2000, the status of performance contracting at three large executive agencies, including the Department, was reviewed. The Department testified contractor performance was evaluated by site visits and review of monthly data reports including progress reports, numbers of encounters, staffing and financial data. The Department reported moving away from cost reimbursement contracts in favor of contracts containing deliverables or performance-based payment where specific outputs were required to earn payment for services. Outputs or deliverables were being required before payment was rendered. However, the Department did not report on implementation of sanctions, penalties or withholdings when deliverables were late or specify how deliverables were verified. The Department reported that its contract monitoring and evaluation processes had changed and progressed during fiscal year 2001 and that contracts continued to be monitored from an independent perspective through the Office of Internal Audit and the Division of Health Improvement.

A more centralized approach to performance-based contracting practices would be more effective, hasten implementation and enhance desired service-delivery outcomes. In 2003, the Committee introduced House Bill 338, the Contract Management Act. Among other things, the proposed legislation required (1) the use of performance outcome measures in contracts and (2) the Department of Finance and Administration to develop a comprehensive system for managing the development and oversight of professional services contracts entered into by state agencies.

Similar recommendations were made by the Florida Governor's Chief Inspector General (discussed later in this report). The Contract Management Act was vetoed by the Governor, who proposed a different statewide approach to performance contracting implementation in *Moving New Mexico Forward*, Volume II, dated August 2003.

The report recommended that:

- A performance contracting system be implemented in phases,
- General Services Department Purchasing Division lead the implementation effort,
- A vendor be engaged to provide immediate assistance in producing an initial analysis of current contract spending and to advise the Purchasing Division,
- The Department of Finance and Administration Contract Review Bureau and one attorney be incorporated into the Purchasing Division, and
- A contract development, support and audit function be added to Purchasing Division's statute and be appropriately funded for high-level contract analysis and data administration.

The General Appropriation Act of 2000 contained language that stated fiscal year 2001 appropriations to the Department for contractual services were contingent upon "the department of health including performance measures in its contracts to increase oversight and accountability." The Legislature included a similar requirement in the General Appropriation Act of 2004 that general fund appropriations in the professional services category are contingent on the Department including performance measures in its outcome-based contracts.

Department contractual services appropriations are significant. The following table summarizes Section 4 contractual services appropriations for the past four years.

	General Fund	Other State Funds	Internal Service/Transfers	Federal Funds	Total
	(in millions)				
Laws 2001	$78,957.2	$ 8,828.7	$4,665.8	$20,114.0	$112,565.7
Laws 2002	$78,701.1	$30,206.4	$5,881.9	$12,688.7	$127,478.1
Laws 2003	$87,814.5	$24,453.8	$6,791.2	$22,419.2	$141,478.7
Laws 2004	$85,837.3	$ 5,086.6	$9,484.2	$36,845.1	$137,253.2
Percent change from 2001-2004	8.7			83.2	21.9

Data Source: Laws 2001-2004 Section 4 contractual services appropriations.

Appropriations of this magnitude require consistent, documented and verifiable oversight and accountability. This review was conducted to determine the status of the Department's contract oversight and accountability and whether the Department is compliant with the General Appropriation Act. Contract review and monitoring systems should ensure that desired results are achieved and that public investment is safeguarded.

Objectives. The objectives of this review were to determine:

- Whether contracts contain meaningful performance measures,
- Whether an effective contract monitoring system, including policies and procedures, is in place or planned to ensure adequate contract oversight and accountability, and
- Whether a complete contract listing is available.

Scope. The following data and documentation were reviewed:

- Contract listings for fiscal years 2003, 2004 and 2005.
- Professional services contracts, joint power agreements and memoranda of understanding/agreement included in listing for fiscal years 2004 and 2005.
- Policies, procedures and practices in effect for fiscal years 2004 and 2005.

Procedures.

- Review laws and regulations.
- Review a judgmental sample of fiscal year 2004 and 2005 contracts for certain attributes.
- Review contract listing for completeness.
- Review policies and procedures.
- Interview administrative and program staff.
- Contact selected states or agencies.

Only limited review of detail records was performed.

Authority for Review. The Committee has the statutory authority under Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies and institutions of New Mexico and all of its political subdivisions and the effects of laws on the proper functioning of the government, its policies and costs. The Committee is also authorized to make recommendations for change to the Legislature. In the furtherance of its statutory responsibility, the Committee may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state law.

Review Team. The review team members were:

Manu Patel, Deputy Director for Performance Audit
G. Christine Chavez, Performance Audit Manager
Susan Fleischmann, Senior Performance Auditor

Exit Conference. The contents of this report were discussed with Deputy Director Gary Giron, Administrative Services Director Sandra Haug and Contracts and Grants Bureau Chief Karen Boutilier Kendall on September 1, 2004.

Report Distribution. This report is intended for the information of the Office of the Governor, the Department of Health, the Department of Finance and Administration, the Office of the State Auditor and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Manu Patel
Deputy Director for Performance Audit

FINDINGS and RECOMMENDATIONS

Contract Administration, Management and Monitoring.

Overview. In 2002, Legislative Finance Committee staff recommended enhancements to the Department's performance contracting processes including the following:

- Use the performance contracts review process as a prioritizing and screening mechanism to fund only those contractors that are performing well.
- Implement sanctions, penalties, withholdings or recoupments when contractor performance is poor.
- Enhance coordination and reduce fragmentation of the contract monitoring and evaluation processes.
- Implement a rigorous auditing process to ensure all contracts contain performance measures.

At that time, Department management reported that performance contracting measures had been instituted and that performance measures, targets and deliverables were included in its fiscal year 2001, 2002 and 2003 contracts in compliance with language contained in the General Appropriation Act of 2000. Performance-based contracting has not yet been implemented. Performance contracting practices include:

- Implementing and documenting an effective department-wide strategic planning and prioritization process,
- Using strategically aligned performance outcome indicators in contracts, as well as output measures and deliverables,
- Building and standardizing oversight, administration and contract-writing capacity,
- Training staff to design contracts and negotiate with vendors to obtain the best deal for the state,
- Auditing performance contracts and related processes, and
- Logging vendor performance in a central repository and sharing information on an agency-wide basis.

Department-wide administration, management and monitoring of over a thousand contracts was decentralized. In July 2004, the Department established a Contracts and Grants Bureau (bureau) in acknowledgment of the legislative requirement for a higher degree of contract oversight and accountability. The bureau encompasses the former grants management section and procurement unit (formerly the general services bureau). Bureau responsibilities include management of all Department contracts and grants. The bureau chief will work closely with all program area and facility contract officers to achieve the following objectives, among others:

1. Effective control over contracts and grants,
2. Full implementation of performance-based contracting, including uniform program monitoring processes,
3. Update written policies and procedures, and
4. Implement standard contract boilerplates that will address sanctions, program evaluation and subrecipient monitoring.

Program area directors, facility/hospital administrators and administrative services management agreed to give the bureau chief full cooperation and support regarding policies, processes, prioritization of projects and related issues.

The bureau chief has department-wide oversight over all professional services contracts, joint powers agreements and memoranda of understanding/agreement. Oversight responsibilities include contract review prior to Department Secretary approval and ensuring that program-area oversight and contractor performance monitoring occurs and is adequate. Policies and procedures are being revised and updated to accommodate organizational and procedural changes. Individual program oversight and monitoring will continue to reside with program areas and facilities.

Performance Measures. Although the majority of fiscal year 2004 and 2005 contracts sampled contained detailed deliverables and reporting requirements, no performance outcome measures were used (Appendix A). One contract contained a performance output measure. Department management considers the statutory performance measure requirement to be met if the scope clearly defines and articulates quantifiable deliverables that are consistent with program and contract mission and goals. Despite the fact that some deliverables reviewed might be construed as output measures, performance-based contracting requires the use of outcome measures. Unlike process-oriented contract deliverables and output measures, strategically linked performance outcome measures (short-, intermediate- and long-term) relate contract or program outputs to an agency's overall mission and objectives. If detailed deliverables suffice to meet the language requirement in the General Appropriation Act, then the Department is statutorily compliant.

The Department considers joint powers agreements and memoranda of understanding/agreement to be formed under legislative, gubernatorial or federal mandate. As such, the Department feels they differ from professional service contracts and small purchases, sole source or competitive, and do not require performance measures. The statutory requirement, though, applies to general fund appropriations in the professional services category as a whole. Because joint powers agreements and memoranda of understanding/agreement are accounted for in that category, the performance measure requirement is applicable. Most agreements and memoranda reviewed lent themselves to performance-based contracting practices and should include strategically aligned performance outcome measures.

Strategic alignment and contract approval guidelines, implemented in June 2003, address performance among other things. The contract approval sheet includes questions concerning clarity of scope and whether the scope defines and articulates deliverables that can be measured. These questions require a "Yes" or "No" answer. The strategic alignment abstract includes a section for performance expectations - defined as deliverables, outcomes and/or performance measures - and a section for past contractor performance. Performance expectations may include service provision, quantifiable outcomes (initial, intermediate or long term) and evidence- or science-based practice (with references). The guidelines and associated forms serve as a good starting point to assist the Department in moving toward incorporating strategic outcome measures in appropriate contracts.

One division expressed reluctance about including performance measures in contracts because of the possibility that contractors will disregard deliverables not reflected by performance measures that are too global or not specific enough. All four agencies contacted in a best-practices survey (one in New

Mexico, three in other states) include performance outcome measures, milestones and deliverables in professional services contracts; however, none of the agencies based payment on performance outcomes because performance data must be valid, reliable and benchmarked against defensible norms. One agency's contract scope section defines outcomes as performance results for a specific program's clients and customers and states that setting outcome targets in contracts assists in evaluating the effectiveness of the services being provided.

The General Appropriation Act of 2004 requires that performance measures be used in the Department's "outcome-based" contracts. The Department stated that all contracts should contain measurable objectives or deliverables defined in the scope unless the nature of the contract would make it impossible. In addition, contracts will include a mechanism for measuring and reporting the objectives and deliverables throughout the duration of each contract.

Recommendations

- Describe performance contract work requirements in terms of results required in addition to the methods of work performance.
- Begin moving toward requiring strategically linked performance outcome measures in contracts. Whenever possible, set standards in terms of quality, timeliness and quantity among other things. Performance outcomes should be realistic, measurable and based on reliable and valid data and data systems. Defensible standards or benchmarks should be used.
- Include strategically linked performance outcome measures in joint powers agreements and memoranda of understanding/agreement.
- Begin consulting with contractors to identify client outcomes and associated outcome indicators to be included in future contracts.
- Develop a core set of outcome indicators and data collection procedures that can be used for contracts in each particular service area. These outcome indicators should be linked to programs' outcome indicators.
- Describe how the contractor's performance will be evaluated in a quality assurance plan.
- Contact other states and agencies to identify best contemporary practices and pitfalls that may be encountered.

Contractor Performance Oversight. No department-wide guidelines, policies or procedures are documented regarding contract performance monitoring, auditing and oversight other than the audit process conducted prior to final contract execution (and described in the Policies and Procedures section of this report). The Department did not monitor contractor performance centrally until the creation of the Contracts and Grants Bureau, which is now charged with ensuring that contractor performance monitoring occurs. The bureau will issue program monitoring guidelines and will verify that adequate program area oversight occurs.

Like many other government agencies, the Department has traditionally focused on processes and outputs, not client outcomes or actual results. Performance contracting involves tracking the use of inputs, measuring outputs produced and, most importantly, tracking the final outcomes. When contractors are paid according to outcomes, they focus on performance and devote themselves to

improving it. However, accurate assessment and performance measurement become critical when the focus is placed on performance and on paying only upon demonstration of results and client outcomes.

The work a government or agency gets out of a contractor is only as good as the contract it negotiates, the quality of contract oversight and the extent to which contractors are held to performance goals. Although creation of the Contracts and Grants Bureau is a good start, the Department needs to build oversight, administration and contract-writing capacity to design effective performance-based contracts and monitor program outcomes.

Florida spends a significant portion of the state budget on contracted services. In a June 2003 report, the Florida Governor's Chief Inspector General examined the effectiveness of existing controls over contracting as measured by approximately 100 audits at seven executive agencies, identified the risks inherent to those controls and offered recommendations for improving accountability and better protecting the state's interest. As documented in almost 500 audit findings over a three-year period, the report found controls over contracting in a state of disrepair. Primary findings included:

- A patchwork of statutes and rules, which evolved over many years, had failed to provide effective and consistent guidance in the contracting process to state agencies.
- Inconsistent guidelines and practices existed in an environment that failed to encourage improvement.
- No statewide system existed for logging vendor performance and sharing that information with other agencies as a measure for determining whether to contract with a particular vendor. Although some agencies used effective practices, apparently no effort was made to share best practices with external agency counterparts.

The following table shows that audit findings related to performance monitoring comprised almost half of the 497 findings examined. Risks associated with lack of performance monitoring controls (for example, mandatory guidelines for program oversight and monitoring, agency-wide contractor performance tracking and internal auditing) included financial losses to the state, failure to obtain desired performance by the contractor, payment for defective deliverables, fraud and loss of funding sources.

State of Florida Historical Audit Findings by Core Contracting Activity	
Performance Monitoring	45%
Procurement Methodology	20%
Contract Writing	17%
Payment	10%
Needs Assessment	7%
Contract Closure	1%

Data Source: State of Florida Audit Report:- Road Map to Excellence in Contracting, June 2003.

Contractor performance at the Department is monitored at the individual program level by program managers, who are also tasked with verifying performance prior to approving invoices for payment. Contractor performance monitoring varies among divisions, programs and bureaus and may

incorporate review of monthly and quarterly reports and confirmation of milestones achieved or deliverables completed. Program-level oversight is consistent with other agencies' practices. Two of the four agencies contacted, including Florida, have issued mandatory guidelines for program oversight and monitoring.

For purposes of this limited review, lack of standardized and documented policies and procedures at the Department and division level made it impractical to determine whether all contracts are consistently and adequately monitored. Performance monitoring evidence was reviewed and verified for the following programs: County Maternal and Child Health, HIV/AIDS (Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome) Treatment Services and Children and Youth with Special Healthcare Needs. A limited sample of invoices was examined to verify program approval prior to payment. All invoices examined were authorized for payment by program or administrative services division staff.

The Department also monitors its contracts from an independent perspective through the Office of Internal Audit and the Division of Health Improvement. The Office of Internal Audit focuses primarily on contract compliance and financial issues and completed 28 audits in fiscal years 2003 and 2004. The Division of Health Improvement focuses on complaints of abuse, neglect and exploitation. Audits and investigations relate to facility-oriented structural and process elements required by state and federal regulations, as well as accreditation standards. Neither the Office of Internal Audit nor the Division of Health Improvement performs outcome evaluations.

According to Public Health Division (Division) management, the division's fiscal year 2005 emphasis is on contract structure and processing standardization. In fiscal year 2006, the division's focus will be on consistency and formalization of program management, monitoring and oversight. At the present time, contract monitoring and oversight is strictly left up to program managers and no formal procedures exist.

Five 2004 and 2005 service-coordination contracts were included in the sample reviewed to determine if contractors were required to monitor subrecipient performance. One fiscal year 2004 contract contained sanctions and program evaluation clauses, but did not appear to contain language requiring direct contractor monitoring of subrecipient providers; two 2004 contracts contained sanctions and program evaluation clauses in addition to requiring direct reporting from subrecipients. Contract language requiring contractor monitoring of subrecipients appeared to be absent.

Two 2005 service-coordination contracts contained tightened-up scope language that required subrecipient monitoring, in addition to sanctions and program evaluation clauses.

Recommendations

- Develop agency-wide guidelines that define, generally or specifically, program area responsibilities regarding performance monitoring, auditing and oversight.
- Standardize and document the performance monitoring, auditing, oversight and pre-payment approval processes, if necessary at the individual program level.

- Require standard contract language regarding sanctions, program evaluations and subrecipient monitoring, if applicable.
- Periodically audit required performance outcome information.
- Coordinate with the Office of Internal Audit and program managers for performance audits of contractors.

Performance Sanctions. The Department does not log vendor performance and share the information among all divisions and programs. Sanctions for contractor non-performance or late performance such as penalties, withholdings or payment recoupments are rarely applied in the Public Health or Behavioral Health Services Divisions. Both divisions prefer to work with contractors to resolve problems so that satisfactory performance can be achieved. Public Health Division management stated that very few contract payments are delayed or withheld because of non-performance. Four instances when sanctions were applied by the Behavioral Health Services Division are:

- Funding for six months was withheld because data submitted by the contractor for the previous year was incomplete. Subsequently, the contractor rectified the situation and the funding was restored.
- A contract was terminated because of poor performance and the contractor's inability to recruit and retain qualified staff.
- A contract was terminated because financial reports submitted by the contractor differed from Department records.
- Funding was permanently withheld from a regional care coordinator because a subrecipient provider did not provide required services. Possible additional recoupment is pending.

Re-engagement of contractors who have been sanctioned may occur. Contractor performance is not centrally tracked or documented, which may allow subsequent contracts to be entered into with unsatisfactory contractors. In one instance, a sole-source contract was issued for the first four months of fiscal year 2005 to a regional care coordinator that had been sanctioned after an audit by the Office of Internal Audit. The audit found that the contractor did not demonstrate compliance in a number of contract areas, including meeting the contracted target population registration target number. According to Office of Internal Audit documentation, the contract should define a more quantitative method of reporting deliverables.

The fiscal year 2005 contract for the same provider contained similar non-quantitative and likely unenforceable language in the deliverables section. The sole source determination justification indicates that the contracts will be in effect for the entire fiscal year. According to the Department, a contract was reissued to a sanctioned contractor because the "regional care coordinators will be eliminated with the creation of the behavioral purchasing collaborative [and] the other options were considered too disruptive. However, the scope was tightened up."

Problems with contractor performance are first noted by individual program managers during routine monitoring. If performance problems are noted, they are reported up to the next management level. Decisions regarding subsequent actions to be taken are not left up to program managers, who must wait for management direction. Occasionally, poor contractor performance is known and documented at the program level, but other considerations preclude the Department from applying sanctions.

As stated above, none of the agencies contacted sanction on the basis of performance outcome measures because of difficulties validating, tracking and compiling performance data and unrealistic expectations.

Recommendations

- Require agency-wide use of contract templates modified by service and contract type including standard contract language allowing sanctions for poor, late or non-performance. Because service providers may contract with more than one division or facility, performance contracts should use consistent, standardized language.
- Implement a progressive sanctioning mechanism.
- Evaluate and document performance at the end of each contract. Allow contractors to provide a written disagreement for the file.
- When performance targets are not met, ask service providers for a written explanation and submittal of planned remedies for the low performance.
- Centrally monitor, document and track contractor performance and sanctions, the reason(s) for actions taken and the contractor status to ensure that subsequent contracts are not issued to poor-performing contractors.
- Standardize application of sanctions to ensure that all contractors are treated equally in the event of poor performance. Contractors should not be selectively sanctioned.

Completeness of Department Contract Listing. The completeness of the contract listing could not be verified. The Department's list included professional services contracts, joint powers agreements and memoranda of understanding/agreement and is not comparable with the Department of Finance and Administration's central contract list, which does not include joint powers agreements and memoranda of understanding/agreement. The central contract listing is maintained by the General Services Bureau of the Administrative Services Division in its Contracts Tracking System (CTS), an access database. The CTS database is a stand-alone system that does not incorporate payment data. The initial list provided for review was a manual compilation of various data fields from two different tables in CTS: the contract table and encumbrance table.

The contract numbering system is specific to each contract-issuing division and facility. The contract listing contained contract-number gaps within each separate sequence. The Department was not able to provide an accounting of the missing contract numbers in order to validate completeness of the list.

The Department also produced an Ad Hoc report directly from the CTS system as further evidence of a complete list. This report was produced from the same database as the previous report and contained similar contract numbering gaps. In addition, out of 1,227 detail records, 307 or 25 percent did not have associated program codes. Various critical data fields in the detail records were also blank. Department staff could not determine the cause of the missing data and, in spring of 2004, reported the condition to management and the contractor who designed the system. Repair of the contracts database is pending. The missing data rendered the report useless for analysis or to verify completeness.

Recommendations

- Validate the current contract list to ensure completeness for baseline and accountability purposes.
- Determine why data is missing from the CTS and whether it is cost effective to restore it.
- Consider integrating contract management into the financial system to provide complete information regarding contract status.
- Request the Department of Finance and Administration to fully implement a SHARE-project module that incorporates contract management data with financial data.
- Consider implementing a unified agency-wide contract numbering system. If that is not possible, standardize individual facility and division contract numbering systems and require a periodic accounting of the various contract number series used to ensure completeness.

Contract Prioritization for Budget Reduction Purposes. In September 2003, the Department testified to the Committee that the fiscal year 2005 funding requested for contractual services decreased by over $7 million as a result of a department-wide effort to eliminate contracts with low performance indicators and to reduce the nonessential contracts pursuant to the Governor's instructions. Proposed program cuts exceeded the Governor's requested reduction of $2.5 million by about $5 million. The Department Secretary stated that an agency-wide strategic alignment and prioritization process preceded the proposed budget reductions. At the same hearing, the Behavioral Health Services Division Director testified that pre-determined across-the-board percentages were applied to substance abuse contracts.

This review indicates that department-wide strategic planning and prioritization did not occur, thus causing the negative publicity with regard to HIV/AIDS funding, the Healthier Kids fund, the Region 2 substance abuse contracts and the County Maternal and Child Health program.

Now the Department plans to submit a request for a supplemental appropriation of approximately $5 million to cover the program restorations made by the Governor. It appears that the stated goal of increased efficiency and elimination of duplicate services was not accomplished. Appendix B compares actual contractual services expenditures for fiscal year 2004 and budgeted expenditures for fiscal year 2005.

In light of publicity and legislative concerns raised during this review, the Department was asked to document the logic behind individual program budget cuts in three program areas. This project's limited scope precluded examination of all contracts to assess if there may have been better candidates for budget reduction. The Department was also asked whether performance was considered in applying cuts. The programs selected for review included:

- The Children and Youth with Special Healthcare Needs program,
- The HIV/AIDS Treatment Services program, and
- The County Maternal and Child Health program.

According to Department management, each division was allowed to internally evaluate and prioritize its programs, under general direction from the Department Secretary, and make recommendations about which programs could or should be cut. This decentralized approach indicates that department-wide strategic planning was not reflected in applying program reductions.

In response to the above inquiries, the Public Health Division responded that it faced a $4.5 million shortfall between the original 2005 budget request and subsequent estimated costs. The division was instructed to 'fill the hole' with intra-division resources and that there would be no reduction in force. The only real source of general fund cost savings was in the contracts budget.

The division's leadership team identified criteria to be used as filters for decision making about which program contracts to fund, which to reduce and which to eliminate. These criteria included, in priority order:

1. Is it a basic public health function that is identified in the Public Health Act,
2. What is the availability of other resources for the population served,
3. What do available data reveal,
4. Will not taking action increase disparities,
5. What is the impact on potential life lost or premature death,
6. Is it an essential direct service, and
7. Is the population served a most vulnerable population?

Meetings were held over several weeks with district directors, bureau chiefs, program managers, fiscal administrators and the director's office. These meetings resulted in the "List of Discretionary General Fund Contract Reductions for FY05" that was accepted by the Department Secretary on June 8, 2004. The reductions totaled approximately $3.7 million. Two of the higher profile program services were the Healthier Kids Fund, administered by Children's Medical Services, and HIV/AIDS Treatment Services, administered by the Infectious Disease Bureau. Program and contract performance were not considered when program eliminations or reductions were recommended.

An elimination of $800,000 was proposed relating to the Healthier Kids Fund. The process to come up with this recommendation was very difficult for the program managers within Children's Medical Services. Their decision was a solution that would assist the Children and Youth with Special Healthcare Needs to remain viable. Families formerly enrolled in the Healthier Kids Fund were transferred to other care providers by Children's Medical Services social workers.

The shortfalls in the HIV/AIDS Treatment Services program were driven by cost increases of the AIDS Drug Assistance Program (ADAP). Program staff arranged for a series of town hall meetings across the state, which were conducted by the POZ (Positive Thinking Brings Positive Results) Coalition (under contract with the Infectious Disease Bureau). The overwhelming input was to keep intact the medication and insurance support programs and to reduce health management agency contract services. This proposed reduction was to include elimination of some ancillary services and a decrease in the amount allowed per client. With the Department Secretary's approval, program managers began the process of negotiating contracts with the various providers. As negotiation

proceeded and the effects of program and contract reductions became apparent, providers and client advocates appealed to the Governor and asked him to intervene. Some program funding has been restored.

In the County Maternal and Child Health program, each provider's budget was adjusted to a pre-determined funding level that the Department considered appropriate for planning and coordination activities. The standard allocation for each fiscal year 2005 county council was $50,000. Associated direct services funding for fiscal year 2004 was $899,498. Fiscal year 2005 funding was based on 90 percent of the contractor's fiscal year 2004 direct services allocation or their fiscal year 2005 request, whichever was less, and totals $549,177. The reduction in 2005 direct services funding is $350,321 or 38.9 percent. Although fiscal year 2005 funding levels are lower than 2004, the Department does not intend to phase out direct services in 2005. Funding will be restored to County and Maternal Health Councils to bring their budgets up to approximately 70 percent of 2004 fiscal year levels.

Recommendations

- Implement and document an agency-wide strategic planning and prioritization process.
- Implement a continuous or periodic review of all programs and related contracts to evaluate viability, reasonableness of cost, duplication of services, etc.
- Require program areas to document and substantiate logic used when reducing program budgets.
- Consider program and contractor performance when recommending or imposing budget reductions.

Policies and Procedures. Documented department-wide administrative policies and procedures governing professional services contracts and sole-source procurements were last revised in 1993; those related to joint powers agreements and memoranda of understanding were last updated in 1994 and 1999, respectively. Beginning in June 2003, Department management issued guidelines requiring use of a contract approval sheet for all professional services contracts and a strategic alignment abstract for all competitive proposals.

The guidelines specify that the contract approval sheet and strategic alignment abstract can only be approved by high-level agency staff. In addition, the guidelines state that the contract review team, comprised of deputy secretaries, special assistant to the secretary and general counsel, will audit a "certain percentage of contracts" prior to secretariat signature. The strategic alignment abstract must have two authorizing signatures: the division director or hospital administrator and the contract review team. Finally, the guidelines specify that all contract approval sheets and strategic alignment abstracts (with supporting documentation) must be routed through a deputy secretary for approval.

The contract approval sheet is a checklist that defines essential services and noncompliant scopes of work and incorporates both compliance-type and performance-related issues. Compliance issues include conformance with the Department's contract policy and federal mandates, Office of the Attorney General and Department chief information officer approvals, whether the contractor is a former state employee and whether the contract was audited according to the guidelines. The only Department contract policies that could be located are those referred to above. Completion of contract approval sheets appears to be required for all contracts, including all professional service contracts,

joint powers agreements and memoranda of understanding/agreement. Out of a sample of 45 contracts, three fiscal year 2004 contracts and one fiscal year 2005 contract lacked the form.

The strategic alignment abstract includes questions about whether the contract is new or recurring, its purpose, strategic alignment, performance expectations, past contractor performance and implications if the contract is not funded. Although the abstract is required for all competitive proposals, it was sporadically included in the sample tested because the forms were not forwarded to central procurement staff.

As noted above, the guidelines state that a "certain percentage of contracts" will be audited prior to secretariat signature. Two of the 45 contracts sampled contained evidence of audit. There is no formalized, documented audit procedure; a definite percent of contracts that will be audited has not been established; and no record is kept of contracts audited.

According to Department staff, approximately 80 to 90 percent of all contracts are audited. Items generally reviewed during the audit process include:

- Contract scope and contractor signature,
- Itemized budget or fee schedule,
- Available budget,
- Presence of all required forms,
- Funding source,
- Authorization signatures,
- Public information officer or chief information officer approval, if required,
- Attorney General approval, if required, and
- Department General Counsel approval.

Approximately 20 percent of documents audited are sent back for various reasons. The principal causes for rejection are:

- Contract approval sheet or other forms are missing or not completed by authorized staff,
- Public information officer or chief information officer review is required,
- Insufficient budget, and
- Contract scope requires amendment, clarification or correction.

Contract documents must be clear, complete and unambiguous to properly protect the interests of the state and to ensure that both parties clearly understand their respective obligations. Contract errors or omissions often impede service delivery and increase risks, such as disadvantages agreements, lost time, waste, failure to obtain desired performance, inability to enforce contract terms and loss of funding resources. Lack of consistency makes information exchange, document reviews and information comprehension extremely difficult.

Contract format and content was also inconsistent, indicating that the Department does not require the use of standardized, agency-wide templates. In fiscal years 2004 and 2005, it appeared that contract

format differed depending upon the issuing division or facility. Scope and budget format also varied. The Department is developing standardized contract templates depending on contract and service type and intends to mandate template use sometime in fiscal year 2005. Specific template language addressing sanctions, program evaluation and subrecipient monitoring will likely be included in the scope or budget section of each contract. All agencies contacted for best practices use standard agency-wide contract templates that are modified by service and contract type.

Pre-approval contract review processes vary by division and facility. However, the Contracts and Grants Bureau plans to issue a master contract review process that all divisions and facilities will be required to use. The Public Health Division conducts weekly contract review sessions. These sessions are usually attended by one or both deputy directors, the division's chief financial officer, contract officer and program manager. A contract review may be requested by the Office of General Counsel or the division directors' office, contract officer or program manager. A contract review is required for competitive contracts and may be requested for small purchase contracts; however, it is not required. The division contract officer estimates that 90 percent of all contracts go through the review process. The division uses its own contract template, pre-approval review routing sheet and recently published contract/request for proposed preparation guidelines.

The Behavioral Health Services Division does not have its own standardized and documented policies and procedures. Rather, it relies on those of the Administrative Services Division General Services Bureau (discussed above). The division uses its own contract template and pre-approval review routing sheet.

Recommendations

- Continue to pursue the present strategy and objectives to increase contract oversight and accountability at both the pre-approval review and program-monitoring levels.
- Implement performance-based contracting in compliance with the General Appropriation Act of 2004.
- Enhance the contract approval and strategic alignment guidelines to directly address inclusion of outcome, output, efficiency and quality performance measures.
- Ensure that all outcome-based contracts contain performance measures.
- Update agency-wide administrative policies and procedures relating to professional services contracts, joint powers agreements and memoranda of understanding/agreement. Incorporate all current and future guidelines and directives into policies and procedures.
- Clarify the contract approval sheet and strategic alignment abstract guidelines to specify exactly when each form should be used and standardize use.
- Consider expanding use of the strategic alignment abstract to include small purchase contracts, contract renewals (as opposed to amendments), joint powers agreements and memoranda of understanding/agreement.
- Formalize and document the audit process and percent of audits conducted; document audits performed on the contract approval sheet in the space provided; and maintain a record of contracts audited.

- Quickly implement mandatory use of standard agency-wide contract templates.
- Consider how and where to incorporate contract language regarding sanctions, program evaluation and subrecipient monitoring.
- Require program areas and facilities to standardize and fully document the pre-approval contract review process.

DEPARTMENT RESPONSE

NEW MEXICO
DEPARTMENT OF
HEALTH

Michelle Lujan Grisham, J.D.
Secretary

Bill Richardson, Governor
Fredrick Sandoval, M.P.A.
Deputy Secretary
Gary L.J.Girón, M.B.A.
Deputy Secretary

TO: Manu Patel, CPA, Deputy Director – Audit Performance
Susan R. Fleischmann, Performance Auditor

FROM: Sandra Haug, Director
Administrative Services Division

DATE: November 9, 2004

RE: Response to Contract Performance Review

The Legislative Finance Committee (LFC) reviewed performance contract management at the Department of Health (DOH). The review identified areas that should be strengthened to improve contract oversight and accountability. Most significantly, the LFC recommended that DOH implement and document an agency-wide strategic planning and prioritization process; develop a core set of strategically linked outcome indicators and data collection procedures; include performance outcome indicators in all contracts, as well as output measures and deliverables; standardize and document the performance monitoring, auditing and oversight and pre-payment processes; build oversight administration and contract-writing capacity; and document vendor performance in a central repository.

DOH recognizes and remains committed to achieving the necessary improvements to our contract management process to ensure our strategic goals and objectives are attained. The establishment of the Contracts & Grants Bureau (Bureau) was completed in July 2004 when the Contracts & Grants Bureau Chief (Bureau Chief) was hired. The LFC review has been invaluable in augmenting our initial goals for formalizing oversight of contracts and grants for the Department.

By March 31, 2005, the Bureau will issue updated Contracts & Grants Procedures. All requests for proposal and contracts issued for FY06 will follow the new guidelines. The procedures will include standard contract templates. The standardized templates will contain detailed deliverables, outcome measures and require sub-recipient monitoring by the Contractor. All contracts will be reviewed and approved by the Bureau Chief to ensure that all contracts contain adequate deliverables and outcome-based contracts contain adequate performance measures. This review will ensure that the deliverables and performance measures support the strategic activities necessary to achieve the overall strategic goals. The procedures will specifically define the requirements for completing the Contract Approval Sheet. A strategic alignment abstract will be required for all Requests for Proposal and all Grants applications. Working with the Office of General Counsel and the Program Areas, the Bureau Chief will create standardized contract scope templates.

While we will continue to routinely evaluate and document performance compliance throughout the contract term, the Program Areas will prepare a summary of contractor performance at the end of each contract term to be shared across the department. The Bureau will also work with the Program Areas to develop a uniform process for collecting and reporting contract performance compliance.

The Bureau will review the formal contract performance compliance reports and will serve as the repository for the reports beginning April 1, 2005. On a broader department-wide basis, the Public Health Division (Program Area 1 & 2) is building a core data collection process that will be used both for Public Health's strategic planning related to contracts. This will also serve as a model for a similar department-wide effort.

Progressive sanctioning will be implemented for all FY06 contracts and potential vendors will be required to sign a document acknowledging their understanding of this process including the clearly defined progressive sanction path. The path will begin with training and if non-compliance continues will progress to counseling, withholding payment and finally contract termination. DOH Requests for Proposal will be updated for FY06 to include a clause that states a vendor's past DOH contract performance will be considered in evaluating vendors and rewarding contracts. All FY06 contracts also contain language detailing the progressive sanctioning process. The Bureau will pursue providing web based training for potential contractors on contract performance and progressive sanctioning. Vendors who receive a sanction will be afforded an opportunity to provide a written response to the sanction so that correction will be a collaborative process.

The Bureau Chief will develop and present to the Deputy Secretary of Finance a work plan for the Bureau and DOH Internal Audit to work together on auditing contract performance compliance. Program Managers, under the direction of the Bureau Chief, will assist Internal Audit in performing the contractor performance compliance reviews. The plan will be presented by January 1, 2005 and will be implemented by July 1, 2005.

To further our ability to effectively manage professional contracts, the Bureau is working with DOH's Information Technology to develop a centralized contract and grants database that can pull in data from the Financial Accounting Management system. The goal is to have a database that can be used by all Program Areas and will eliminate the multiple databases that currently exist. The database will be in place and appropriate users trained by July 1, 2005. DOH is participating in the SHARE project and will do everything possible to advocate a contract module.

Effective immediately, evidence of auditing the Contract Approval Sheet will be documented and retained and Bureau Chief approval will be required on all contracts.

DOH will require Program Areas to document and substantiate logic used when reducing program budgets. Wherever feasible, program and contractor performance will be considered when recommending or imposing budget reductions.

We will continue to diligently work on improving oversight and accountability in the contracting process to assist in maximizing the quality of services provided by the Department.

APPENDIX

Appendix A

Contract Sample Summary Table

Sample No.	Contract No.	FY 2005 Program	Total Contract Amount (through FY 04) (in thousands)	Funding Source	Contract Type	Measure Quality	Strategically Linked Outcome Measures?
1	03-665-4200-0016	Prevention & Health Promotion	$ 315.2	GF	Non-Competitive	No Measures	No
2	04-665-0007-0002	Behavioral Health	96.7	GF	Sole Source	No Measures	No
3	04-665-1100-0011	Administration & Policy	21.0	GF	Small Purchase	No Measures	No
4	04-665-1100-0012	Administration & Policy	21.3	GF	Small Purchase	No Measures	No
5	04-665-3100-0008	Testing & Pharmacy	3.0	GF	Non-Competitive	No Measures	No
6	04-665-3100-0011	Testing & Pharmacy	19.9	FED	Small Purchase	No Measures	No
7	04-665-4200-0010	Prevention & Health Promotion	64.2	GF	Non-Competitive	No Measures	No
8	04-665-4200-0027	Prevention & Health Promotion	83.0	GF	Non-Competitive	No Measures	No
9	04-665-4200-0043	Health Infrastructure	1,306.9	GF/OSF	Competitive	No Measures	No
10	04-665-4200-0044	Health Infrastructure	2,984.4	GF/OSF	Competitive	No Measures	No
11	04-665-4200-0136	Prevention & Health Promotion	1,004.4	OSF	Non-Competitive	No Measures	No
12	04-665-4200-0185	Health Infrastructure	164.8	FED	Non-Competitive	No Measures	No
13	04-665-4200-0219	Prevention & Health Promotion	731.0	GF/FED	Non-Competitive	No Measures	No
14	04-665-4200-0317	Surveillance, Response & Reporting	251.7	GF	Non-Competitive	No Measures	No
15	04-665-4200-0319	Prevention & Health Promotion	462.3	GF/FED	Competitive	No Measures	No
16	04-665-4200-0333	Prevention & Health Promotion	761.9	FED	Competitive	Output	No
17	04-665-4200-0522	Surveillance, Response & Reporting	210.3	FED	Non-Competitive	No Measures	No
18	04-665-4300-0007	Behavioral Health	37.3	OSF	Competitive	No Measures	No
19	04-665-4300-0012	Behavioral Health	7.0	OSF	Small Purchase	No Measures	No
20	04-665-6600-0063	Behavioral Health	65.6	GF/OSF	Competitive	No Measures	No
21	04-665-6600-0067	Behavioral Health	1,349.8	FED	Sole Source	No Measures	No
22	04-665-6800-0052	Long-Term Care	150.0	GF	Competitive	No Measures	No
23	04-665-7300-0016	Behavioral Health	195.0	GF/OSF	Sole Source	No Measures	No
24	04-665-7300-0035	Behavioral Health	343.4	GF/OSF	Competitive	No Measures	No
25	04-665-7500-0001	Behavioral Health	10.6	GF	Small Purchase	No Measures	No
26	04-665-7500-0002	Behavioral Health	5.1	GF	Small Purchase	No Measures	No
27	04-665-7700-0001	Long-Term Care	12.8	OSF	Small Purchase	No Measures	No
28	04-665-7700-0004	Long-Term Care	4.0	OSF	Small Purchase	No Measures	No
29	04-665-8300-0002	Behavioral Health	22.0	GF	Small Purchase	No Measures	No
30	04-665-8300-0006	Behavioral Health	20.0	GF	Small Purchase	No Measures	No
31	04-665-9400-0016	Long-Term Care	115.2	OSF	Competitive	No Measures	No
32	04-665-9400-0020	Long-Term Care	88.9	OSF	Competitive	No Measures	No
33	04-665-9500-0003	Long-Term Care	105.0	OSF	Competitive	No Measures	No
34	04-665-9500-0004	Long-Term Care	22.0	OSF	Competitive	No Measures	No
35	04-665-9500-0008	Long-Term Care	435.0	OSF	Competitive	No Measures	No
36	05-665-0001-0049	Prevention & Health Promotion	120.1	GF	Competitive	No Measures	No
37	05-665-0005-0212	Behavioral Health	30.0	GF	Competitive	No Measures	No
38	05-665-0005-0236	Behavioral Health	3,218.4	GF/FED	Sole Source	No Measures	No
39	05-665-0005-0238	Behavioral Health	10,712.8	GF/FED	Sole Source	No Measures	No
40	05-665-0005-0857	Behavioral Health	195.9	GF	Competitive	No Measures	No
41	05-665-0100-0009	Prevention & Health Promotion	119.7	GF	Sole Source	No Measures	No
42	05-665-0100-0069	Prevention & Health Promotion	117.7	GF	Competitive	No Measures	No
43	05-665-0100-0122	Prevention & Health Promotion	562.4	GF/OSF/FED	Competitive	No Measures	No
44	05-665-0100-0125	Prevention & Health Promotion	890.3	GF/OSF/FED	Competitive	No Measures	No
45	05-665-7700-0019	Long-Term Care	$ 270.2	OSF	Non-Competitive	No Measures	No
		Total Contracts Sampled	$ 27,728.2				

Note: The data in this table were reviewed by Department staff but not audited.

Data Source: DFA contracts management database and Department records

GF = General Fund
OSF = Other State Funds
FED = Federal Funds

Appendix B

Contractual Services Expenditure Comparison for Fiscal Years 2004 and 2005

	Actual FY 04	Budgeted FY 05	% Change
	(in thousands)		
Prevention and Health Promotion			
Chronic Disease Prevention and Control Bureau	$ 7,503.3	$ 9,597.4	27.9%
Family Health Bureau	3,286.1	3,617.6	10.1%
WIC Administration	4,255.4	3,605.7	-15.3%
Infectious Disease Prevention and Control Bureau	9,240.9	8,320.8	-10.0%
Prevention and Health Promotion Administration	4,607.6	2,889.0	-37.3%
Total	28,893.3	28,030.5	-3.0%
Health Infrastructure			
District 1 - Albuquerque	44.2	15.8	-64.3%
District 2 - Santa Fe	86.3	-	-100.0%
District 3 - Las Cruces	315.7	190.7	-39.6%
District 4 - Roswell	50.2	-	-100.0%
Health Systems Bureau	15,474.8	13,769.5	-11.0%
Health Infrastructure Administration	-	784.7	
Total	15,971.2	14,760.7	-7.6%
Surveillance, Response and Reporting			
Security systems	0.6	0.3	-50.0%
Bioterrorism	1,694.0	5,416.0	219.7%
Environmental Health	820.3	623.9	-23.9%
Emergency Medical Services	20.0	1,059.7	5198.5%
Injury Behavioral Epidemiology	2,255.8	1,970.8	-12.6%
Infections Disease	1,850.7	1,378.7	-25.5%
Information Technology	1,116.7	1,042.6	-6.6%
State epidemiology	91.7	46.0	-49.8%
Microfilm Maintenance	5.8	3.0	-48.3%
Total	7,855.6	11,541.0	46.9%
Testing and Pharmaceutical	847.2	632.1	-25.4%
Behavioral Health Services	56,124.7	52,766.9	-6.0%
Long-Term Care Services			
Fort Bayard Medical Center	613.4	515.5	-16.0%
Los Lunas Community Program	1,444.2	1,655.0	14.6%
New Mexico State Veterans' Home	689.1	453.6	-34.2%
Office of Facility Management	16.2	-	-100.0%
Total	2,762.9	2,624.1	-5.0%
Developmentally Disabled Community Services	25,320.1	25,246.8	-0.3%
Licensing, Certification and Oversight	443.5	282.0	-36.4%
Administration and Policy	2,161.9	1,840.7	-14.9%
GRAND TOTAL	$ 140,380.4	$ 137,724.8	-1.9%

Data Source: New Mexico Department of Health fiscal year 2006 budget submission
These data were not audited.