



**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Table of Contents**

June 30, 2019

Table of Contents.....	1
Official Roster.....	2
Independent Auditor's Report.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position.....	6
Statement of Activities.....	7
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	9
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities	10
Statement of Revenues and Expenditures - Budgeted and Actual (Budget Basis).....	11
Notes to Financial Statements.....	12
Other Information:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses.....	20

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Official Roster**

June 30, 2019

FIFTY-FOURTH LEGISLATURE, FIRST SESSION

Brian F. Egolf
Sheryl Williams Stapleton
James G. Townsend
Lisa Ortiz McCutcheon

Speaker Of The House
Majority Floor Leader
Minority Floor Leader
House Chief Clerk



1512 Pacheco Street
Suite D-204
Santa Fe, NM 87505
505.303.3557 (o)

INDEPENDENT AUDITOR'S REPORT

State of New Mexico
20040 House of Representatives
and Mr. Brian S. Colón
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (general fund), and the budgetary comparison for the general fund of the State of New Mexico, Fund 20040 House of Representatives, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Fund 20040 House of Representative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

State of New Mexico
20040 House of Representatives
and Mr. Brian S. Colón
New Mexico State Auditor

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (general fund), and the budgetary comparison for the general fund of the State of New Mexico, Fund 20040 House of Representatives, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of the State of New Mexico, Fund 20040 House of Representatives are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the major fund that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of the State of New Mexico, Fund 20040 House of Representative's internal

State of New Mexico
20040 House of Representatives
and Mr. Brian S. Colón
New Mexico State Auditor

control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Mexico, Fund 20040 House of Representative's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Morton Accounting Services, LLC".

Morton Accounting Services, LLC

Santa Fe, New Mexico
October 31, 2019

Intentionally blank page.

STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Statement of Net Position

June 30, 2019

Assets:

Investment in the State General Fund Investment Pool, Note B	\$	-
Capital assets, net of accumulated depreciation, Note C		<u>336,505</u>
		<u><u>336,505</u></u>

Net Position:

Net Investment in capital assets	\$	<u><u>336,505</u></u>
----------------------------------	----	-----------------------

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Statement of Activities

For The Year Ended June 30, 2019

Expenses:

Program	\$ 3,628,702
---------	--------------

General Revenues:

State general fund appropriations, Note D	4,055,900
Transfers out, Note E	<u>(479,572)</u>
	<u>3,576,328</u>

Change in Net Position

(52,374)

Net Position:

Beginning of year	<u>388,879</u>
-------------------	----------------

End of year	<u>\$ <u>336,505</u></u>
-------------	--------------------------

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Balance Sheet - Governmental Funds

June 30, 2019

Assets:

Investment in State General Fund Investment Pool, Note B	\$ <u><u> -</u></u>
--	------------------------------

Fund Balance:

Unassigned	\$ <u><u> -</u></u>
------------	------------------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance - Governmental Funds	\$ <u> -</u>
--	-------------------------------

Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation.

<u> 336,505</u>

Net Position of Governmental Activities	\$ <u><u> 336,505</u></u>
--	------------------------------------

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For The Year Ended June 30, 2019

Current Expenditures:

Personal services/employee benefits	\$	2,474,152
Contractual services		20,616
Other		1,081,560
		<u>3,576,328</u>

Other Financing Sources (Uses):

State general fund appropriations, Note D		4,055,900
Transfers out, Note E		(479,572)
		<u>3,576,328</u>

Net Change in Fund Balance -

Fund Balance:

Beginning of year		<u>-</u>
End of year	\$	<u><u>-</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to
 Statement of Activities

For The Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Net
 Position are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	-
---	----	---

Governmental funds report capital outlays as expenditures. However, in the Statement of
 Activities the cost of those assets is allocated over their estimated useful lives and
 reported as depreciation expense:

Depreciation expense, Note C	(52,374)
------------------------------	----------

Change in Net Position - Governmental Activities	\$ (52,374)
---	-------------

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Statement of Revenues and Expenditures - Budgeted and Actual (Budget Basis)

For The Year Ended June 30, 2019

	Budgeted Amounts		Actual (Budget Basis)	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
State General Fund Appropriations:				
54th Legislature, 1st Session				
Laws 2019				
Chapter 1, Section 1.B (2)	\$ 703,570	\$ 703,570	\$ 703,570	\$ -
Chapter 1, Section 1.B (4)	10,695	10,695	10,695	-
Chapter 1, Section 1.B (6)	2,699,000	2,699,000	2,699,000	-
Chapter 1, Section 1.B (8)	642,635	642,635	642,635	-
Total State General Fund Appropriations	\$ <u>4,055,900</u>	\$ <u>4,055,900</u>	\$ <u>4,055,900</u>	\$ <u>-</u>

**54th Legislature, 1st Session
 Expenditures:**

Personal services, employee benefits	\$ 2,699,000	\$ 2,699,000	\$ 2,474,152	\$ 224,848
Contractual services and other	<u>1,356,900</u>	<u>1,356,900</u>	<u>1,102,176</u>	<u>254,724</u>
Total Expenditures:	<u>4,055,900</u>	<u>4,055,900</u>	<u>3,576,328</u>	<u>479,572</u>

Reconciliation of GAAP basis to budget basis:

	Revenues	Expenditures
GAAP basis	\$ 4,055,900	\$ 3,576,328
Adjustments:		
None	-	-
Budget basis	\$ <u>4,055,900</u>	\$ <u>3,576,328</u>

Note:

The actual expenditures on the budget basis for FY 2019 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2020 budget.

The Accompanying Notes Are An Integral Part Of These Financial Statements.

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Notes to Financial Statements**

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A primary government is any state or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The State of New Mexico, Fund 20040 House of Representatives, therefore, is part of the primary government of the State of New Mexico and its financial data should be included in the financial data of the State.

The financial statements of the State of New Mexico, House of Representatives, Fifty-Fourth Legislature, First Session has been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The fund does not have any component units. The financial statements for the period ended June 30, 2019 represent activity in Fund 20040 from July 1, 2018 to June 30, 2019. The more significant accounting policies of the Fund are described below.

1. Basic Financial Statements - Government-Wide Statements

Fund 20040's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental. Fund 20040 is classified as governmental activity.

The government-wide Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long term debt and obligations.

The government-wide Statement of Activities reports the cost of the Fund 20040's function. The function is supported by general government revenues (intergovernmental revenues). The government-wide focus is on the change in net assets resulting from activities from the period July 1, 2018 to June 30, 2019.

2. Basic Financial Statements - Fund Financial Statements

The financial transactions of Fund 20040 are reported in one individual fund in the financial statements. The operations of the Fund 20040 are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in this individual fund based on the appropriate state statutes and the purposes for which they are spent and the means by which spending activities are controlled. The following fund type is utilized by Fund 20040:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund:

General Fund - Fund 20040 is used to administer and account for activity of the House during the regular and special sessions. Money in the Fund may be expended for the House of Representatives per diem and mileage, employee salaries, and other expenses.

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Notes to Financial Statements**

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. This governmental Fund 20040 presents its financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

4. Investment in the State General Fund Investment Pool

The State of New Mexico, Office of the State Treasurer's scope of authority for the types of investments which may be made with state funds is statutorily defined and governed by the State Treasurer's Investment Policy approved by the State Board of Finance.

5. Capital Assets

Capital assets are recorded as expenditures in the governmental funds and capitalized at cost in the Statement of Activities. The valuation basis for capital assets are historical cost, or when historical cost is not available, estimated historical cost based on replacement. Donated capital assets are capitalized at fair market value at the date of donation.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: furniture and equipment, 5-12 years. During the 2005 Regular Legislative Session, HB 1074 amended Section 12-6-10 NMSA 1978 changing the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000 effective June 17, 2005.

Assets that were capitalized under the \$5,000 threshold were removed as of June 30, 2018 per 2018 Audit Rule 2.2.2.10.W, eliminating the requirement to keep old assets capitalized under historical thresholds on inventory listing until they are disposed of.

6. Nature and Purposes of Classifications of Net Position and Fund Balance

Net position represents the difference between assets and liabilities. In the government-wide financial statements, net position consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Notes to Financial Statements

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Nature and Purposes of Classifications of Net Position and Fund Balance (Continued)

When an expense is incurred that can be paid using either restricted resources or unrestricted resources, the Fund's policy is to first apply the expense toward restricted, and then toward unrestricted resources.

Governmental fund balances are divided into five classifications based on the extent to which government is bound to honor constraints and the specific purposes for which amounts in that fund can be spent.

Non-spendable is the most limited amounts and are legally or contractually required to stay intact.

Spendable fund categories can be depicted as follows:

Restricted are amounts that are due to enabling legislation, constitutional provisions, externally imposed by grantors, contributors, laws or regulations of other governments, or by creditors, such as through debt covenants.

Committed are amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and removal of the constraint would require a formal action by the same authority.

Assigned consists of amounts that are intended to be used for a specific purpose established by the government's highest level of decision-making authority, or their designated body or official.

Unassigned represents the residual amount after all classifications have been considered for the government's general fund, and could report a surplus or a deficit.

7. Budgetary Procedures and Accounting

Fund 20040 consists of several activities appropriated by law and are budgeted based on generally accepted accounting principles using the modified accrual method. The appropriation does not require a budget to be established through the New Mexico Department of Finance Budget Division and does not revert to the State of New Mexico General Fund.

NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Fund's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Fund consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2019 the Fund had the following invested in the General Fund Investment Pool:

SHARE BU 13102, Fund 20040 House	\$ <u> </u> -
----------------------------------	----------------------------------

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits Investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Notes to Financial Statements**

NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL (Continued)

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2019.

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

Statewide Cash Reconciliation Update

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the State's bank when agency cash receipts are deposited and later pooled into a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when cash amounts are greater than immediate needs, the amounts are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2019. This process has been previously reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with reconciliation requirements.

The following assertions are provided:

1. As of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

Fund 20040 House of Representatives has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would not be misstated as of June 30, 2019.

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Notes to Financial Statements**

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Furniture and equipment	\$ 567,577	\$ -	\$ -	\$ 567,577
Accumulated depreciation	(178,698)	(52,374)	-	(231,072)
	<u>\$ 388,879</u>	<u>\$ (52,374)</u>	<u>\$ -</u>	<u>\$ 336,505</u>

Depreciation expense was charged to governmental activities as follows:

General government	<u>\$ 52,374</u>
--------------------	------------------

NOTE D - STATE GENERAL FUND APPROPRIATIONS

State General Fund Appropriations transferred from BU 34101, Fund 85300 consist of the following:

54th Legislature, 1st Session, Laws 2019, Chapter 1, Section 1.B (2)	\$ 703,570
54th Legislature, 1st Session, Laws 2019, Chapter 1, Section 1.B (4)	10,695
54th Legislature, 1st Session, Laws 2019, Chapter 1, Section 1.B (6)	2,699,000
54th Legislature, 1st Session, Laws 2019, Chapter 1, Section 1.B (8)	<u>642,635</u>
	<u>\$ 4,055,900</u>

NOTE E - TRANSFERS

Transfers out:

At the end of the Regular or Special Legislative Session, any remaining cash balance in Fund 20040 reverts to the Legislature's cash balance in Fund 13300. The following amount is recorded as a transfer out in the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance.

Transfers from BU 13102, Fund 20040 to BU 13100, Fund 13300	
54th Legislature, 1st Session, Laws 2019, Chapter 1, Sections 1.B.(2,4,6,8)	<u>\$ 479,572</u>

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Notes to Financial Statements**

NOTE F - RISK MANAGEMENT AND LITIGATION

The House of Representatives obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All House of Representatives employees are covered by a blanket fidelity bond with a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico.

The House of Representatives is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (workers' compensation, unemployment compensation, employee liability, and transportation property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

Risk Management

The House of Representatives, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the state of New Mexico. The House of Representatives pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico
2. Coverage to protect the State of New Mexico's property and assets.
3. Fringe benefit coverage's for State of New Mexico employees.

The House of Representatives' exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, there are no known or threatened legal proceedings involving material matters to which the House of Representatives is a party and/or believes that the outcome of pending litigation would have a materially adverse effect on the financial position or operations of the House of Representatives. In addition, for the years ended June 30, 2019, 2018, and 2017, the House of Representatives had no claims for which the Risk Management Division has returned as 'not covered' that would become the responsibility of the House of Representatives.

NOTE G - MANAGEMENT'S DISCUSSION AND ANALYSIS EXPLANATION

Management's discussion and analysis, while required to be presented to supplement the basic financial statements, are generally outside the purview of the legislature's management staff. The legislative body is the sole entity responsible for preparing a budget based on revenue estimates, state needs and statutory and constitutional requirements. Once appropriated, management staff is responsible for ensuring that expenditures are in compliance with state law.



1512 Pacheco Street
Suite D-204
Santa Fe, NM 87505
505.303.3557 (o)

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

State of New Mexico
Fund 20040 House of Representatives
and Mr. Brian S. Colón
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund (general fund), and the budgetary comparison of the general fund of the State of New Mexico, Fund 20040 House of Representatives as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Fund 20040 House of Representative’s basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of New Mexico, Fund 20040 House of Representative’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of New Mexico, Fund 20040 House of Representative’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Fund 20040 House of Representative’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement

State of New Mexico
Fund 20040 House of Representatives
and Mr. Brian S. Colón
New Mexico State Auditor

of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as item 2019-001.

Purpose of this Report

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



Morton Accounting Services, LLC
Santa Fe, New Mexico
October 31, 2019

**STATE OF NEW MEXICO
 FUND 20040 HOUSE OF REPRESENTATIVES
 Schedule of Findings and Responses**

Section I – Summary of Auditor’s Results

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- | | | |
|----|--|----|
| 1. | Material weaknesses identified | No |
| 2. | Significant deficiencies identified | No |
| 3. | Noncompliance material to the financial statements noted | No |

Section II – Prior Year Audit Findings

None.

Section III – Current Year Findings Pertaining to the Financial Statements Which Are Required to Be Reported

2019-001 – Internal Control Over Payroll Processing (Other Matter in Accordance with 2.2.2.10(L)(1) NMAC)

Condition:

During our test work over payroll disbursements, we noted differences between time paid and time documented on timecards. House staff verbally explained and reconciled the differences. However, there is insufficient documentation of this reconciliation to allow for independent verification/recalculation without House staff explanation.

Criteria:

House payroll processing internal controls should include maintaining sufficient documentation to allow for recalculation/independent verification of amounts paid.

Cause:

The existing timekeeping system requires manual reconciliations and adjustments to calculate the correct time to be paid for the various types of employees, resulting in risk for calculation errors. In addition, employees utilize both timecards and time sheets, which are used to reconcile time each pay period. However, this process was not documented or provided during test work, as only timecards, with handwritten changes were provided.

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Schedule of Findings and Responses**

Section III – Current Year Findings Pertaining to the Financial Statements Which Are Required to Be Reported, Continued

2019-001 – Internal Control Over Payroll Processing (Other Matter in Accordance with 2.2.2.10(L)(1) NMAC), Continued

Effect:

Employees may be over or under paid. Inability to perform independent verification/recalculation of time paid. An adequate audit trail may not exist.

Recommendation:

We recommend that management review the design and operation of the payroll processing internal controls, and establish specific procedures for documenting the reconciliation of time paid. In addition, we recommend that reconciliation of employee timecards/timesheets to actual time paid be documented and maintained for all payroll disbursements.

Agency Response:

The House of Representatives agrees with this finding. The House Chief Clerk will immediately (during FY20) create a defined guideline for determining and calculating hours worked by staff which would provide a clear procedure for independent/outside review. In addition, a formal reconciliation will be maintained for each employee.

Section IV – Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978

None

**STATE OF NEW MEXICO
FUND 20040 HOUSE OF REPRESENTATIVES
Schedule of Findings and Responses**

Section V – Financial Statements and Exit Conference

Financial Statements

The financial statements were prepared by the Legislative Council Service staff. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

Exit Conference

An exit conference was held at the State Capitol to discuss the audit report.

In attendance on October 23, 2019 were the following individuals:

Representing the State of New Mexico, Fund 20040 House of Representatives

Lisa Ortiz-McCutcheon, House Chief Clerk
Raúl Burciaga, Director, Legislative Council Service
Anesa Serna-Espinoza, Administrative Services Manager/CFO, Legislative Council Service

Representing Morton Accounting Services, LLC

Janet Pacheco-Morton, CPA, CGM, Managing Principal

In attendance on October 24, 2019 were the following individuals:

Representing the State of New Mexico, Fund 20040 House of Representatives

Representative Brian Egolf, Speaker of the House of Representatives
Paul Robin Shaya, Deputy Chief Clerk
Reena Szczepanski, Speaker Chief of Staff
Raúl Burciaga, Director, Legislative Council Service
Anesa Serna-Espinoza, Administrative Services Manager/CFO, Legislative Council Service

Representing Morton Accounting Services, LLC

Janet Pacheco-Morton, CPA, CGM, Managing Principal