

STATE OF NEW MEXICO

SENTENCING COMMISSION

Financial Statements

Year Ended June 30, 2015

(With Independent Auditors' Report Thereon)



Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

STATE OF NEW MEXICO
SENTENCING COMMISSION

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**STATE OF NEW MEXICO
SENTENCING COMMISSION
OFFICIAL ROSTER**

June 30, 2015

Chair – Marron Lee

Vice Chair – Bob Cleavall

Members

Jorge Alvarado
Hector Balderas
Greg Fouratt
Arthur Pepin
Martin Suazo
Cindy Aragon
Monique Jacobson
Hanna Skandera
Jerry Ritter
Louis Burkhard
Michael Vigil
David Schmidt
Amy Orlando
Gregg Marcantel
Michael Lilley
Clint Wellborn
Max Minzner
Joel Garnett
Frank Zubia

Staff

Tony Ortiz, Executive Director
Linda Freeman, Deputy Director

"30 Years of Excellence"

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Barracough & Associates, P.C.
Certified Public Accountants & Consultants

Principals

John E. Barracough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers

Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
New Mexico State Auditor
and
Members of the Board of Directors
of New Mexico Sentencing Commission

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and budget comparison for the general fund of the New Mexico Sentencing Commission (the Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission'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 misstatements, whether due to fraud or error.

Auditors' Responsibilities

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 of 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 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 Commission'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Commission as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of the Commission are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund and the budgetary comparison of the State of New Mexico that are attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2015, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, the beginning balances of the net position and fund balance have been restated to record unearned revenue for contract revenue received in the prior year before incurring the expenditure. The restatement resulted in a decrease in each of the net position and fund balance of \$200,850. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the New Mexico Sentencing Commission's basic financial statements and the budgetary comparison for the general fund. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional schedule is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the 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 Commission's internal control over financial reporting and compliance.



Barraclough & Associates, P.C.
Santa Fe, NM
November 6, 2015

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Management's Discussion and Analysis
(Unaudited)**

June 30, 2015

The Sentencing Commission's (the Commission) management discussion and analysis is designed to: (a) assist the reader in focusing on significant issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Commission's financial statements.

Financial Highlights

The New Mexico Sentencing commission (originally known as the Criminal and Juvenile Justice Coordinating Council) was created under Section 9-3-10 NMSA 1978 in 1994 and officially began its activities in September 1995. During the 2003 legislative session, House Bill 510 became law, changing the agency's name to New Mexico Sentencing Commission (the Commission) and expanding its duties.

The Commission serves as a criminal and juvenile justice policy resource to the State of New Mexico. The Commission provides information, analysis, recommendations, and assistance from a coordinated cross-agency perspective to the three branches of government and interested citizens so that those citizens have the information and resources they need to make policy decisions that benefit the criminal and juvenile justice systems.

The Commission consists of members from diverse parts of the criminal justice system, including members of the Executive and Judicial branches, representatives of lawmakers, law enforcement officials, criminal defense attorneys, and members of citizens' interest groups.

USING THIS ANNUAL REPORT

The financial report includes the sections described below.

Management's Discussion and Analysis

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the Commission.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental activities are consolidated into one column. The Commission has no business type activities. The focus of the Statement of Net Position (Unrestricted Net Position) is designed to be similar to a bottom line for the Commission and its governmental activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term liabilities.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Management's Discussion and Analysis
(Unaudited)**

June 30, 2015

Fund Financial Statements

The Commission only has one fund – the general fund.

The Governmental Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

Budgetary Comparisons

In addition to MD&A, GASB Statement No. 34 requires budgetary comparison schedules for the general fund and for each major governmental fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - Governmental Activities

	2015	2014
	<u> </u>	<u>Restated</u>
Current Assets	\$ 291,526	\$ 369,489
Current Liabilities	\$ 287,125	\$ 366,073
Net position		
Restricted	\$ 985	\$ -
Unrestricted	<u>3,416</u>	<u>3,416</u>
	<u>\$ 4,401</u>	<u>\$ 3,416</u>

The liabilities increased due to the restatement of deferred revenues. Refer to Note 12 for additional information on accounting for contract revenues and the restatement as prior year balances.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Management's Discussion and Analysis
(Unaudited)**

June 30, 2015

Statement of Activities

The following schedule represents the revenues and expenses for government activities for the years ended June 30:

	2015	2014
	<u> </u>	<u>Restated</u>
State General Fund appropriations	\$ 578,200	\$ 529,800
Operating grants	129,469	33,835
Transfers-in	30,000	30,000
Reversions to the State General Fund	<u> -</u>	<u>(40,951)</u>
Total revenue	737,669	552,684
Program expenses	<u>(736,684)</u>	<u>(624,514)</u>
Change in net position	985	(71,830)
Net position, beginning of year	<u>3,416</u>	<u>75,246</u>
Net position, end of year	<u>\$ 4,401</u>	<u>\$ 3,416</u>

Revenues and expenses remained consistent due to no legislative changes in the Commission's budget for FY15 along with no changes in the MOU amount with UNM.

THE COMMISSION'S FUNDS

The Commission has one governmental fund, which is the General Fund.

BUDGETARY HIGHLIGHTS

There were no significant changes to the overall original operating budget. There were no budget adjustment requests in the current fiscal year.

FINANCIAL CONTACT

The Commission's financial statements are designed to present users with the general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have questions about the report or need additional financial information, contact the Commission's Deputy Director at 1915 Los Lomas, Albuquerque, NM 87131.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents held by UNM	\$ 164,475
Interest in State General Fund Investment Pool	119,384
Due from other State agency	<u>7,667</u>
Total Assets	<u><u>\$ 291,526</u></u>
LIABILITIES	
Accounts payable	\$ 118,399
Unearned Revenue	168,726
Due to State General Fund	<u>-</u>
Total liabilities	<u>287,125</u>
NET POSITION	
Restricted	985
Unrestricted	<u>3,416</u>
Total net position	<u>4,401</u>
Total liabilities and net position	<u><u>\$ 291,526</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Statement of Activities

Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Governmental Activities
Governmental Activities				
Judicial research services	\$ (736,684)	\$ -	\$ 129,469	\$ (607,215)
General revenues				
State general fund appropriations				578,200
Reversions				-
Transfers in				30,000
Total general revenues				608,200
Change in net position				985
Net position, beginning of year as previously reported				204,266
Restatement of deferred revenue				(200,850)
Net position, beginning of year as restated				3,416
Net position, end of year				\$ 4,401

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Balance Sheet
Governmental Fund**

June 30, 2015

	General Fund
ASSETS	
Cash and cash equivalents held by UNM	\$ 164,475
Interest in State General Fund Investment Pool	119,384
Due from other State agency	<u>7,667</u>
Total assets	<u><u>\$ 291,526</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 118,399
Unearned Revenue	168,726
Due to State General Fund	<u>-</u>
Total liabilities	<u>287,125</u>
Fund balance	
Restricted	985
Unassigned	<u>3,416</u>
Total fund balance	<u>4,401</u>
Total liabilities and fund balance	<u><u>\$ 291,526</u></u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Reconciliation of the Balance Sheet to the
Statement of Net Position - Governmental Fund

June 30, 2015

Fund balances - total governmental fund	\$ 4,401
Net position of governmental activities	\$ 4,401

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Fund**

Year Ended June 30, 2015

	<u>General Fund</u>
Revenue	<u>\$ 129,469</u>
Expenditures	
Current:	
In-state travel	4,448
Professional services	<u>732,236</u>
Total expenditures	<u>736,684</u>
Excess (deficiency) of revenue over expenditures	<u>(607,215)</u>
Other financing sources (uses)	
State general fund appropriations	578,200
Reversions to State General Fund	-
Transfers in	<u>30,000</u>
Total other financing sources (uses)	<u>608,200</u>
Net change in fund balance	<u>985</u>
Fund balance, beginning of year as previously reported	204,266
Restatement of contracts revenue (Note 12)	<u>(200,850)</u>
Fund balance, beginning of the year as restated.	<u>3,416</u>
Fund balance, end of year	<u><u>\$ 4,401</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds To The
Statement of Activities - Governmental Fund**

June 30, 2015

Net change in fund balances - total governmental fund	<u>\$ 985</u>
Change in net position of governmental activities	<u><u>\$ 985</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

**Statement of Revenues and Expenditures -
Budget and Actual (General Fund)**

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
State general fund appropriations	\$ 578,200	\$ 578,200	\$ 578,200	\$ -
Intra-State Transfers	30,000	30,000	30,000	-
Contract revenue	-	-	-	-
Total revenues	<u>608,200</u>	<u>608,200</u>	<u>608,200</u>	<u>-</u>
Expenditures				
Contractual services	602,900	602,900	602,767	133
Other costs	5,300	5,300	4,448	852
Total expenditures	<u>608,200</u>	<u>608,200</u>	<u>607,215</u>	<u>985</u>
Excess of revenue over (under) expenditures			<u>985</u>	
Unbudgeted Revenues			129,469	
Unbudgeted Expenditures			<u>(129,469)</u>	
Excess of unbudgeted revenue over unbudgeted expenditures			<u>\$ 985</u>	

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

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Notes to the Financial Statements

June 30, 2015

NOTE 1. ORGANIZATION AND OPERATIONS

The New Mexico Sentencing Commission (originally known as the Criminal and Juvenile Justice Coordinating Council) was created under Section 9-3-10 NMSA 1978 in 1994 and officially began its activities in September 1995. During the 2003 legislative session, House Bill 510 became law, changing the agency's name to New Mexico Sentencing Commission (the Commission) and expanding its duties. Currently, the Commission is a state agency vouchering through the Department of Finance and Administration (DFA) for the annual state appropriation activity.

The New Mexico Legislature created the Commission to assess, monitor and report to the legislature on the impact of any enacted sentencing standards and guidelines on state and local correctional resources and programs and the need for further sentencing reform.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The more significant of the Commission's accounting policies are described below:

A. Financial Reporting Entity

The chief executive of the Commission is the Executive Director, who is appointed by the majority of the Board of Directors. The Commission is a department of the executive branch and these financial statements include all funds and activities over which the Executive Director has oversight responsibility.

The Commission is included in the financial statements of the State of New Mexico. The Commission has no component units.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The Commission is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. These statements include the financial activities of the overall government except for fiduciary funds (the Commission does not have any).

The net cost by function is normally covered by general revenue. Since the Commission only has one program, it does not employ indirect cost allocation in the financial statements.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

This government-wide focus is more on the sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Commission's actual experience conforms with the budget or fiscal plan. Since the governmental focus and basis of accounting is different than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation. The Commission, however, had no reconciling items for the year ended June 30, 2015. The Commission's major fund is its general fund.

C. Basis of Presentation – Fund Accounting

The financial transactions of the Commission are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type and reported by generic classification in the accompanying financial statements. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues, or expenditures. The general fund is always considered a major fund. The Commission uses the following fund types:

Governmental Fund Types

The focus of Governmental Fund measurements (in the financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Commission.

General Fund (SHARE Fund #00347 – reverting) – The General Fund is the general operating fund of the Commission and it is used to account for all financial resources. This is a reverting fund.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Commission's operating statement. The government-wide financial statements of the Commission are accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Commission is better or worse off economically as a result of events and transactions of the period.

The governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

The basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Government-Wide Financial Statements are presented on an accrual basis of accounting. The Government Funds in the Fund Financial Statements are presented on a modified accrual basis. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

In addition to assets, the Statement of Net Position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expenses/expenditures) until then. In addition to liabilities, the Statement of Net Position or balance sheet will sometimes report a separate section or deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Commission did not have any items that qualified for reporting in these categories for the year ended June 30, 2015.

The Commission received appropriations under the annual General Appropriations Act. The total appropriation is received in equal monthly allotments. The revenue is recorded when received. All allotments are received during the fiscal year. Any unexpended balances remaining at the end of the fiscal year shall revert to the State General Fund by October 1, 2015.

Contract revenues are recorded when all eligibility requirements have been met, typically when the underlying expenditures have been incurred.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

Expenditures are recorded as liabilities when incurred. Expenditures charged to federal programs are recorded using the cost principles described by the various funding sources.

E. Budget and Budgetary Accounting

Legal compliance is monitored through the establishment of a budget and a financial control system which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Commission within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

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

1. Prior to September 1, the Commission submits to the State Budget-Financial Control Division, the Department of Finance and Administration (DFA), and the Legislative Finance Committee (LFC) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Following their budget hearing with the Commission, the DFA and the LFC prepare their own budget recommendations to the legislature.
3. Budget hearings are then scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the State's General Appropriations Act.
4. The Act is signed into Law by the Governor of the State of New Mexico within the prescribed time limit, at which time the approved budget becomes a legally binding document.
5. The Commission then submits, on or before May 1, an annual operating budget request by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1.

All subsequent budgetary adjustments must be approved by the Director of the DFA-Budget Division and the LFC. There were no budget adjustments for the Commission for the year ended June 30, 2015.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budget and Budgetary Accounting

The budget is adopted on a modified accrual basis of accounting (Senate Bill 313, General Appropriations Act of 2014) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Commission has not included such reconciliation for fiscal year 2015 as all payables were paid by the statutory deadline.

F. Fund Balance

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Commission classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the management.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

G. Net Position

The government-wide Fund Financial Statements utilize a net position presentation. Net Position are categorized as investment in capital assets, restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Net Position

Net Investment in Capital Assets – is intended to reflect the portion of net position which are associated with non-liquid, capital assets.

Restricted Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, or granting agency) limitation on their use.

Unrestricted Assets – represent unrestricted liquid assets. Unrestricted deficit results mainly from the recording of the compensation absences liability for which future state appropriations will pay the liability.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted first, then unrestricted resources as they are needed.

H. Use of Estimates

The Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Investments

The Commission's funds are held on deposit with the State Treasurer's Office and funds are also held by the University of New Mexico.

J. Capital Assets

The Commission does not have any capital assets.

K. Reversions

The annual State appropriation funds that have not been expended revert to the State General Fund. Accordingly, any reversions have been recorded in the current year for State General Fund appropriations. There was no reversion to the State General Fund for the year ended June 30, 2015.

NOTE 3. DEPOSITS

The Commission is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 3. DEPOSITS (CONTINUED)

All money not immediately necessary for the public uses of the Commission may be invested in bonds or negotiable securities of the United States, the state or any county, municipality or town, securities that are issued by the United States government or by its agencies or instrumentalities or in contracts with banks, savings, and loan associations or credit unions for the present purchase and resale at a specified time in the future or specific securities. If the Commission is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance from financial institutions within the geographic boundaries of the governmental unit, the Commission may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978. The Commission has not formally adopted a deposit and investment policy that limits the government's allowable deposits or investments and addresses the specific types of risk to which the government is exposed.

Cash held by the Commission include cash held by the University of New Mexico. Deposits are secured by Federal Deposit Insurance Corporation (FDIC) and U.S. Treasuries. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% (102% for overnight deposits) of the uninsured balance. Market values of all cash and deposits approximate the cost of those assets. Please see the University of New Mexico audit report for the fiscal year ended June 30, 2015 for more deposit and collateral information.

The Commission follows GASB 40, *Deposit and Investment Risk Disclosures*. GASB 40 requires certain disclosures when balances with financial institutions exceed depository insurance. The Commission does not have credit quality, Deposit Custodial Credit, Security Custodial Credit, Concentration of Credit, or Foreign Currency Risks.

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.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2015.

NOTE 4. INTEREST IN THE GENERAL FUND INVESTMENT POOL

To comply with Statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 4. INTEREST IN THE GENERAL FUND INVESTMENT POOL (CONTINUED)

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability to fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control Division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SFGIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SFGIP will be honored in their entirety. Any adjustments necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

The Commission believes the impact of the cash reconciliation does not have a material impact on its financial statements since the main source of cash is the annual state appropriation and the Commission has internal controls to properly record its expenditures. Any unspent balance from the annual state appropriation reverts to the State General Fund.

At June 30, 2015, the Commission had the following invested in the General Fund Investment Pool:

Interest in the State General Fund Investment Pool	<u>\$119,384</u>
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STATE OF NEW MEXICO
SENTENCING COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 5. OPERATING LEASES

The Commission leases an automobile for traveling to board meetings in Santa Fe and around the State of New Mexico with a lease term of less than one year.

Lease expenditures for the automobile for the year ended June 30, 2015 was \$1,914.

NOTE 6. PENSION PLAN – EDUCATIONAL EMPLOYEES’ RETIREMENT PLAN

Plan Description. The Commission does not have full-time employees. If the Commission had full-time employees they would participate in a public employee retirement system authorized under the state’s Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees’ Retirement Plan (Plan). The Plan is cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive report that can be obtained at www.nmerb.org.

Funding Policy:

Member Contributions: Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions: In fiscal year 2015, the Commission would have contributed 13.9% of gross covered salary. The contribution requirements of plan members and the Commission are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

The Commission’s contributions to ERB for the fiscal year ended June 30, 2015, 2014 and 2013 were \$0, \$0, and \$0, respectively, equal to the amount of the required contributions for the year.

NOTE 7. GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSION PLANS BY EMPLOYERS

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ended June 30, 2015.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 7. GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSION PLANS BY EMPLOYERS (CONTINUED)

The Commission, as part of the primary government of the State of New Mexico, is not a contributing employer since it has no employees to a cost-sharing multiple employer defined benefit plan administered by the Educational Retirement Board (ERB). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

NOTE 8. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Commission has no employees and is not required to contribute to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA) or any other post-retirement benefit plan.. The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

The Commission's contributions to the RCHA for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$0, and \$0, respectively, which equal the required contributions for each year.

NOTE 9. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, employer obligations and natural disasters for which the Commission carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, Transportation Property and Bond Premium) with the State of New Mexico Risk Management Division (RMD) of the General Services Department. Insurance premiums are allocated to and paid by all budgeted activities within the general fund.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 9. RISK MANAGEMENT (CONTINUED)

The Commission, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the RMD of the State of New Mexico. Annual premiums paid to the RMD provide coverage 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; and
3. Fringe benefits coverage for the State of New Mexico's employees. However, Universities provide their group health programs.

Risk management expenditures for the Commission are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Commission is a party.

NOTE 10. MEMORANDUM OF UNDERSTANDING

For the fiscal year ended June 30, 2015, the Commission entered into a memorandum of understanding (MOU) with the University of New Mexico (UNM). Under this agreement, the Commission deposits bi-monthly payments into a UNM agency account from their state appropriation funding. UNM serves as the fiscal agent providing administrative and record keeping services, including payroll and purchase orders, along with office space and other support services. As the fiscal agent for the Commission, UNM receives a 9% management fee. The amount deposited into the agency accounts by the Commission shall not exceed \$608,200. At the end of the fiscal year, there were no unspent funds remaining in the agency accounts. For the agency accounts with reverting funds, no reversion to the State General Fund was booked.

NOTE 11. INTERAGENCY TRANSFERS

The Commission received transfers from the State General Fund (SHARE Fund #85300) in the amount of \$30,000 during the 2015 fiscal year its annual appropriation pursuant to the County Detention Facility Reimbursement Act (NMSA 33-3B-4(2)). These funds are not subject to reversion. Any unspent amounts are recorded as restricted net position.

NOTE 12. CONTRACTS REVENUE AND RESTATEMENT

During the fiscal year 2015 and prior years, the Commission entered into Memorandums of Understanding (MOU) with the following agencies:

- State of New Mexico Corrections Department (Index 931324 and 931406),
- PB&J Family Services (Index 931354),
- State of New Mexico Motor Transportation Police (Index 931402),
- Institute for Social Research (Index 931316),
- Bernalillo County (Index 931338),
- State of New Mexico Department of Children, Youth and Families (Index 931323)

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

Notes to the Financial Statements (Continued)

June 30, 2015

NOTE 12. CONTRACTS REVENUE AND RESTATEMENT (CONTINUED)

The purpose of the contracts was to perform additional research services and projects for the 2015 fiscal year. The Commission is paying UNM's personnel to perform the services required under these contracts.

The revenues recorded in excess of expenditures incurred for the above contracts were recorded in the general ledger (SHARE) as fund balance in the prior year, and should have been recorded as unearned revenue. To correct this error, the beginning balances of net position and fund balance have been decreased by \$200,850 with a corresponding increase in unearned revenue.

NOTE 13. DUE FROM OTHER STATE AGENCY

At June 30, 2015, due from other State agency consists of \$7,667 from the New Mexico Corrections Department for services performed by the Sentencing Commission. This balance was subsequently collected after the year end.

NOTE 14. CONTRACT PROCUREMENT

The Commission did not enter into any contracts greater than \$60,000 that would require disclosure to comply with the State Audit Rule.

NOTE 15. ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standard Board has issued the following new pronouncement that may have an effect on the Commission's future financial statements. However, the Commission has not determined the impact on its financial statements.

Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76)*. Provisions for GASB 76 are effective for reporting periods beginning after June 15, 2015.

NOTE 16. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through November 6, 2015, which is the date the financial statements have been issued and have determined no subsequent events require disclosure or adjustment to the financial statements.

STATE OF NEW MEXICO
SENTENCING COMMISSION

Combining Statement of Net Position Information by SHARE Fund and UNM Index

Year Ended June 30, 2015

SHARE Fund	University of New Mexico						Total
	Index 931324	Index 931354	Index 931316	Index 931338	Index 931323	Index 931406	
ASSETS							
Cash and cash equivalents at UNM	\$ -	\$ 44,165	\$ 2,440	\$ 3,416	\$ 22,074	\$ -	\$ -
Interest in State General Fund Investment Pool	119,384	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	7,667	-
Total assets	\$ 119,384	\$ 44,165	\$ 2,440	\$ 3,416	\$ 22,074	\$ 7,667	\$ 291,526
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 118,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	44,165	2,440	-	22,074	7,667	-
Total liabilities	118,399	44,165	2,440	-	22,074	7,667	287,125
Fund balance							
Restricted	985	-	-	-	-	-	985
Unassigned	-	-	-	3,416	-	-	3,416
Total fund balance	985	-	-	3,416	-	-	4,401
Total liabilities and fund balance	\$ 119,384	\$ 44,165	\$ 2,440	\$ 3,416	\$ 22,074	\$ 7,667	\$ 291,526

STATE OF NEW MEXICO
SENTENCING COMMISSION

Combining Statement of Revenues, Expenses, and Changes in Net Position Information by SHARE Fund and UNM Index

Year Ended June 30, 2015

	SHARE Fund	University of New Mexico										Total	
		Index 931324	Index 931354	Index 931316	Index 931338	Index 931323	Index 931406	Index 931402	Index 931402	Index 931402	Index 931402		
Revenue													
State general fund appropriation	\$ 578,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 578,200
Intra-State transfers	30,000	-	-	-	-	-	-	-	-	-	-	-	30,000
Contract Revenue	-	5,964	40,581	50,443	-	4,287	27,994	200	-	-	200	-	129,469
Total Revenues	608,200	5,964	40,581	50,443	-	4,287	27,994	200	-	-	200	-	737,669
Expenditures													
Contractual services	602,767	5,964	40,581	50,443	-	4,287	27,994	200	-	-	200	-	732,236
Other costs	4,448	-	-	-	-	-	-	-	-	-	-	-	4,448
Total Expenditures	607,215	5,964	40,581	50,443	-	4,287	27,994	200	-	-	200	-	736,684
Excess (deficiency) of revenue over expenditures	985	-	-	-	-	-	-	-	-	-	-	-	985
Fund balance, beginning of the year as previously reported	-	28,129	107,961	32,883	3,416	26,361	5,316	200	-	-	200	-	204,266
Restatement of unearned revenue	-	(28,129)	(107,961)	(32,883)	-	(26,361)	(5,316)	(200)	-	-	(200)	-	(200,850)
Fund balance, beginning of the year as restated	-	-	-	-	-	-	-	-	-	-	-	-	3,416
Fund balance, end of year	\$ 985	\$ -	\$ -	\$ -	\$ 3,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,401

"30 Years of Excellence"

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Katherine M. Rowe, C.P.A.

Managers

Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

**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***

Mr. Timothy Keller
New Mexico State Auditor
and
Members of the Board of Directors of
The State of New Mexico Sentencing Commission

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, and the budgetary comparison for the general fund for the State of New Mexico Sentencing Commission (the Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-002 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 is described in the accompanying Schedule of Findings and Responses as item 2014-004.

The Commission's Responses to Findings

The Commission's responses to these findings are described in the accompanying Schedule of Findings and Responses. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Barraclough & Associates, P.C.
Santa Fe, New Mexico
November 6, 2015

STATE OF NEW MEXICO
SENTENCING COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditors' report issued | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiency identified not considered to be a material weakness? | No |
| | c. Noncompliance material to financial statements noted? | No |

STATE OF NEW MEXICO
SENTENCING COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2015

SECTION II - CURRENT YEAR FINDINGS

2014-002 Contract Revenue Accounting, Material Weakness

Condition: During our audit, we noted that the Commission entered into six contracts with outside entities to perform research for a contractual amount. From these grants, \$129,469 in revenues and related expenditures were accounted for by UNM within agency accounts. These contract activities and changes in cash and unearned revenue were not recorded in the Commission's general ledger. Lack of progress towards implementing the prior year corrective action plan was due to UNM personnel turnover.

Criteria: Per NMAC 2.2.2.12(5)(a). "The state maintains the centralized accounting system, SHARE; the SHARE data and reports are the original book of record that the auditor is auditing. If the agency maintains a separate accounting system, it should be reconciled with the SHARE system and all applicable adjustments should be recorded in SHARE periodically throughout the fiscal year..."

Effect: Because the activity was not recorded in the Commission's general ledger; the SHARE financial reports were not accurate and material adjusting entries were required.

Cause: Turnover in the accounting function caused the problem in recording the UNM activity to SHARE.

Recommendation: We recommend that the Commission implement procedures to record all of its transactions in the SHARE general ledger.

Commission's Response: The Commission will work with the Department of Finance and Administration (DFA) to account for the activity. It may require setting up a separate SHARE fund and/or separate general ledger accounts to record these transactions. Our goal is to record all activity once direction from DFA on how to record this activity is obtained.

STATE OF NEW MEXICO
SENTENCING COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2015

SECTION II - CURRENT YEAR FINDINGS (CONTINUED)

2014-005 Non-compliance in accordance with the New Mexico Budget (Other Finding)

Condition: The budget for the general fund did not include the revenue and expenditures from the MOU's with other entities. Lack of progress towards implementing the prior year corrective action plan was due to UNM personnel turnover in the accounting function.

Criteria: State Statutes require that expenditures be budgeted before they are expended.

Effect: The Commission is not in compliance with the requirements of NMSA 6-3-1 to 6-3-25 and there is increased risk that unauthorized transactions could occur.

Cause: The turnover in the accounting function resulted in the financial activity from the MOU's not being budgeted.

Recommendation: We recommend that the Commission includes in its annual budget expected revenues and expenditures related to MOU's with other entities.

Commission's Response: The Commission will work with the Department of Finance and Administration to process budget adjustments for the additional revenue and expenditures. Our goal is to submit a budget adjustment request for 2016 activity as soon as practical.

**STATE OF NEW MEXICO
SENTENCING COMMISSION**

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2015

SECTION III – CURRENT STATUS OF PRIOR YEAR FINDINGS

<u>Prior Year Audit Finding Number</u>	<u>Description</u>	<u>Modified or Partially Resolved and Repeated</u>	<u>Resolved</u>	<u>Current Year Audit Finding No.</u>
2014-001	Reversions, Material Weakness and Non-Compliance in Accordance with the New Mexico State Audit Rule	N/A	✓	N/A
2014-002	Contract Revenue Accounting, Material Weakness	✓		2014-002
2014-003	Late Report Submission, Non-compliance in accordance with the New Mexico State Audit Rule	N/A	✓	N/A
2014-004	MOU Compliance	N/A	✓	N/A
2014-005	Budget Overspending, Non-compliance in accordance with the New Mexico State Audit rule	✓		2014-005

STATE OF NEW MEXICO
SENTENCING COMMISSION

EXIT CONFERENCE

JUNE 30, 2015

Exit Conference

An exit conference was held on November 19, 2015 to discuss the current report. Those individuals in attendance were as follows:

State of New Mexico Sentencing Commission

Marron Lee	Board Chair
Tony Ortiz	Executive Director
Linda Freeman	Deputy Director

Barracough & Associates, P.C.

Douglas W. Fraser	Senior Audit Manager
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The financial statements were prepared Barracough & Associates, P.C. with assistance provided by the Commission's personnel. The Commission is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. The Commission has reviewed and approved the financial statements and notes to the financial statements.

Barracough & Associates, P.C. would like to acknowledge the courtesy and assistance extended to us during the course of the audit.

