



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
www.mgandc.com

STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT

Financial Statements
Year Ended June 30, 2015

(With Independent Auditors' Report Thereon)

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Financial Statements
Year Ended June 30, 2015**

(With Independent Auditors' Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

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PUBLIC DEFENDER DEPARTMENT**

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**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Official Roster
at June 30, 2015**

Name	Title
Jorge A. Alvarado	Chief Public Defender
Robert Mead	Deputy Chief Public Defender
Bennett Baur	Acting Deputy Chief Public Defender
Sarah J. Peterson	Chief Financial Officer
Barbara Auten	Human Resource Director
Ben Baur	District Public Defender – 1 st Judicial District – Santa Fe
Richard Pugh	District Public Defender – 2 nd Judicial District - Albuquerque
Mary McMahan	District Public Defender – 3 rd Judicial District – Las Cruces
Richard Pugh	District Public Defender – 5 th Judicial District - Carlsbad
Vacant	Managing Attorney-5 th Judicial District - Hobbs
Ted Lautenschlager	Managing Attorney-5 th Judicial District –Roswell
Darryl Bouchard	Managing Attorney-8 th Judicial District - Taos
Chandler Blair	District Public Defender – 9 th Judicial District - Clovis
Matthew Cockman	District Public Defender – 11 th Judicial District - Aztec
Steven Seeger	Managing Attorney – 11 th Judicial District - Gallup
Mariano Torrez	District Public Defender – 12 th Judicial District - Alamogordo
Christopher Westenberger	Managing Attorney – 12 th Judicial District - Ruidoso
Sergio J. Viscoli	Appellate Defender

Public Defender Commission

Michael Stout, Chairperson	Susan Reidel
Ahmad Assed	Leo Romero
Hugh Dangler	Naomi Salazar
Thomas Clear, III	Raymond Sanchez
Jess R. Lilley	Michael Vigil
Mark Horton	

FINANCIAL SECTION



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& Co., P.C.

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Member AICPA, NMSCPA

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INDEPENDENT AUDITORS' REPORT

Jorge A. Alvarado, Chief Public Defender, Public Defender Department
and
Honorable Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund of the Public Defender Department (Department) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the organizations of the general fund presented as supplementary information for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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 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 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the budgetary comparisons of the organizations of the general fund for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Public Defender Department are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund that are attributable to the transactions of the Department. 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 its cash flows, where applicable, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements and on the budgetary comparison statements presented as supplementary information. The Schedule of Changes in Assets and Liabilities – Agency Fund, the Schedule of Memoranda of Understanding and the Schedule of Performance Measure Results listed as "Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates

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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements and on the budgetary comparison statements presented as supplementary information. The Schedule of Vendor Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Espanola, New Mexico
November 17, 2015

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

The following is a discussion and analysis of the department's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the department's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the department:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the department's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the department, reporting the department's operations in more detail than the government-wide statements. The governmental funds statements tell how general government services (the primary functions of the department) were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the department as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the department's net position and how it has changed. Net position – the difference between the department's assets and liabilities – is one way to measure the department's financial health or position.

- Over time, increases or decreases in the department's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the department, the reader is encouraged to consider additional non-financial factors such as changes in the department's grant funding or the addition of new programs.

All of the department's basic services are included in government-wide financial statements, such as district office operations and contract counsel legal services. State appropriations, other reimbursements and fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the department's most significant funds –not the department as a whole. Funds are accounting devices that the department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.

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PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

- The State Legislature established other funds to control and manage money for particular purposes or to show that it is properly using certain grants.

The department has two types of funds:

- Governmental funds –Most of the department's basic services are included in governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the department's programs.

The department has two governmental funds. The first is used to account for the department's general operations and is a reverting fund. The second is a statutorily created fund used to account for proceeds from the indigent representation application fee (a \$10 fee). The use of those fees is legally restricted for the department's automation needs.

- Fiduciary funds—The department is the trustee, or fiduciary, for certain moneys, it is responsible for those assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The department is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the department's fiduciary activities are reported in a separate statement of fiduciary net positions and a statement of changes in fiduciary net positions. We exclude these activities from the department's government-wide financial statements because the department cannot use these assets to finance its operations. The department has one fiduciary fund used to account for activities in which the department is acting in agent capacity for the state general fund. Funds are received from clients who are determined by the department not to be indigent. All amounts charged to clients and all amounts collected from these clients are payable to the state general fund.

FINANCIAL ANALYSIS

The department's net position decreased \$114,794 over the course of this fiscal year's operations. The following financial information is a comparison of net position for 2015 and 2014.

	2015	2014	Variance
Current and other noncurrent assets	2,606,640	3,017,658	(411,018)
Capital assets, net	101,612	102,992	(1,380)
Total assets	2,708,252	3,120,650	(412,398)
Long-term liabilities	148,619	0	148,619
Other liabilities	3,608,792	4,055,015	(446,223)
Total liabilities	3,757,411	4,055,015	(297,604)
Net position:			
Net investment in capital assets, net of related debt	101,612	102,992	(1,380)
Restricted	86,594	94,932	(8,338)
Unrestricted	(1,237,365)	(1,132,289)	(105,076)
Total net position	(1,049,159)	(934,365)	(114,794)

The total assets consist of cash, net receivables, prepaid expenses, and capital assets (net of accumulated depreciation). Total liabilities consist of accounts payable, accrued salaries and employee benefits payable, amounts due to the state's general fund and other agencies, and compensated absences payable.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Net position is comprised of net investment in capital assets, restricted and unrestricted amounts. The restricted amount of \$86,594 represents the amount restricted for the purchase and maintenance of automation systems.

The variances consist of:

- Total assets – The \$412,398 variance (decrease) in total assets is largely attributable to a decrease in cash (investment in state general fund investment pool) and a decrease in the amounts due from local governments at June 30, 2015.
- Total liabilities – The \$297,604 variance (decrease) is due to a significant decrease in accounts payable of \$621,647, and offsetting increases in payroll-related liabilities of \$107,030, compensated absences \$69,293, and due to state general fund and other funds \$147,720.
- Total net position – The net position for the department decreased from 2014 by \$114,794.

The following financial information is a comparison of the Statement of Activities for 2015 and 2014:

	2015	2014	Variance
Revenues:			
Program revenues:			
Charges for services	\$226,690	\$256,891	(\$30,201)
Operating state grants	307,368	295,665	11,703
General revenues	44,384,118	42,366,150	2,017,968
Total revenues	44,918,176	42,918,706	1,999,470
Expenses:			
General government:	45,025,765	43,281,000	1,744,765
Loss on capital asset disposition	0	0	0
Increase (decrease) in net position	(107,589)	(362,294)	(254,705)
Net position, beginning	(941,570)	(572,071)	(369,499)
Net position, ending	(\$1,049,159)	(\$934,365)	(\$114,794)

Note: The \$7,205 difference between 2014 ending net position and 2015 beginning net position is attributable to prior period adjustments and discussed in Note 14.

Total Revenues \$44,918,176: Revenue received is comprised mostly by appropriations from the state's general fund, but also includes inter-agency transfers and applications fees. In fiscal year 2015 the department collected \$30,201 less in application fees. This explains the variance in the Charges for Services category above. Funding from various courts decreased by \$11,703, this is reflected above as Operating State Grants. The increase in general revenues is attributable to increased funding in the appropriation process.

Total Expenses \$45,025,765: Expenses consists of employee salaries and benefits, contractual services, operational costs and reversions. The escalation in expenditures is attributable to increased appropriations in general fund (mentioned above).

Change in Net position \$114,794: The department's total revenue increased from \$42,918,706 to \$44,918,176. The department's total expenses increased from \$43,281,000 to \$45,025,765.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

ANALYSIS OF THE DEPARTMENT'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As of the close of the fiscal year, the department reported an ending fund balance of (\$408,402). The negative fund balance is largely due to the unassigned deficit fund balance, under the General Fund. This issue is discussed in note 10.

The general fund is the chief operating fund for the department. At the end of the current fiscal year, the non-spendable fund balance of the general fund was \$6,734 and the unassigned fund amount was (\$501,730) which comprised the total negative fund balance of (\$494,996). The fund balance of the department's general fund decreased by \$35,783 during the current fiscal year.

The special revenue fund titled the Automation Fund has a total fund balance of \$86,594, all of which is restricted for the purchase and maintenance of automation systems. The net decrease in fund balance during the current year in this special revenue fund was \$8,338.

Total fund balance decreased by \$44,121, indicating that the department's expenditures exceeded revenue generated through the year.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the department. Adjustments to the budget require approval by the State Budget Division of the Department of Finance and Administration.

Over the course of the year, the department revised its budget. These budget adjustments are captured in four categories.

- Adjustments for supplemental or special appropriations to either budget new or continuing supplemental or special appropriations, or to adjust the estimated amount to reflect the actual appropriation amount.
- Increases to the budget to reflect funding that was not secured at the time the operating budget was prepared. This includes funding from various courts in exchange for the department's service to their drug court programs.
- Changes made between categories to ensure that the budget reflects the most accurate budget allocation, based on expenditure projections.
- Increases to the budget from fund balance to prevent budget overruns.

With these adjustments, actual general fund expenditures were \$562,943 below final budget amounts. The final approved budget was \$45,264,739 and the total expenditures were \$44,701,796.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the department had a net investment of \$101,612 in capital assets, including machinery, equipment, furniture and fixtures. This amount represents a net decrease (including additions and deductions) of \$1,380 over last fiscal year.

Long-term debt

At the end of the fiscal year, the department had \$1,083,919 in compensated absences payable, an increase of 11% over last fiscal year. The increase is attributable to the department keeping a high vacancy rate throughout the year which resulted in

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

staffing gaps. Therefore employees did not utilize as much paid leave as they had in the past. More information about the department's debt is presented in note 9 of this report.

NEXT YEARS' BUDGETS

The total approved recurring general fund operating budget for fiscal year 2016 is \$44,489,200 which is an increase of 8% compared to fiscal year 2015's approved recurring general operating budget.

The department submitted a 117% general fund increase in the fiscal year 2017 budget request. If approved, the additional funding will be directed towards an aggressive increase in contract counsel compensation and increase in FTE. Both are necessary to reform the indigent defense system in New Mexico.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the department's finances and to demonstrate the department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the department's Chief Financial Officer.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit A

**Statement of Net Position
June 30, 2015**

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Interest in State General Fund Investment Pool (note 3)	\$ 2,206,202
Cash in authorized bank account	795
Petty cash	1,200
Due from employees, net (note 4)	16,806
Due from other state agencies (note 4)	341,550
Due from local governments (note 4)	33,353
Prepaid expenses	6,734
	<hr/>
Total current assets	2,606,640
Noncurrent assets:	
Capital assets, net of depreciation (note 5)	101,612
	<hr/>
Total assets	<u>2,708,252</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	1,786,297
Accrued salaries payable	317,533
Payroll taxes payable	124,089
Payroll benefits payable	253,355
Other payroll liabilities	33,365
Due to other funds	-
Due to state general fund (note 6)	158,853
Compensated absences payable (note 9)	935,300
Long-term liabilities:	
Compensated absences payable (note 9)	148,619
	<hr/>
Total liabilities	<u>3,757,411</u>
<u>Net Position</u>	
Net investment in capital assets	101,612
Restricted for automation systems	86,594
Unrestricted	(1,237,365)
	<hr/>
Total net position	<u>\$ (1,049,159)</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit B

**Statement of Activities
Year Ended June 30, 2015**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Current:	
Personal services and employee benefits	\$ 27,717,322
Contractual services	11,423,708
Other	5,843,373
Depreciation expense	<u>41,362</u>
Total expenses	<u>45,025,765</u>
Program revenues:	
Charges for services	226,690
Operating state grants	<u>307,368</u>
Total program revenues	<u>534,058</u>
Net program expense	<u>44,491,707</u>
General revenues:	
General Fund appropriation, net of current-year reversion (\$158,853)	43,740,147
Compensation appropriation	590,200
Board of Finance Grant	53,771
Interest	<u>-</u>
Total general revenues	<u>44,384,118</u>
Change in net position	<u>(107,589)</u>
Net position, beginning, as originally reported	(934,365)
Prior period adjustments (note 14)	<u>(7,205)</u>
Net position, beginning, as restated	<u>(941,570)</u>
Net position, ending	<u><u>\$ (1,049,159)</u></u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit C

**Balance Sheet - Governmental Funds
June 30, 2015**

	<u>General Fund</u>	<u>Automation Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Interest in SGF Investment Pool (note 3)	\$ 2,119,103	\$ 87,099	\$ 2,206,202
Cash in authorized bank account	-	795	795
Petty cash	1,200	-	1,200
Due from other funds	-	-	-
Due from other state agencies (note 4)	341,550	-	341,550
Due from employees, net (note 4)	16,806	-	16,806
Due from local governments (note 4)	33,353	-	33,353
Prepaid expenses	6,734	-	6,734
	<u>\$ 2,518,746</u>	<u>\$ 87,894</u>	<u>\$ 2,606,640</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	1,784,997	1,300	\$ 1,786,297
Accrued salaries payable	317,533	-	317,533
Payroll taxes payable	124,089	-	124,089
Payroll benefits payable	253,355	-	253,355
Other payroll liabilities	33,365	-	33,365
Due to other funds	-	-	-
Due to State General Fund (note 6)	158,853	-	158,853
	<u>2,672,192</u>	<u>1,300</u>	<u>2,673,492</u>
Deferred Inflows of Resources:			
Unavailable revenue	341,550	-	341,550
Fund Balances:			
Fund balances (note 10):			
Nonspendable:			
Prepaid expenses	6,734	-	6,734
Restricted for the purchase and maintenance of automation systems	-	86,594	86,594
Unassigned	(501,730)	-	(501,730)
	<u>(494,996)</u>	<u>86,594</u>	<u>(408,402)</u>
Total fund balances	<u>(494,996)</u>	<u>86,594</u>	<u>(408,402)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,518,746</u>	<u>\$ 87,894</u>	<u>\$ 2,606,640</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015**

Total fund balance-Governmental funds \$ (408,402)

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

Capital assets used in governmental activities are not
current financial resources and, therefore, are not
reported in the Governmental Funds Balance Sheet.

These assets consist of:

Furniture and fixtures	\$	37,290	
Machinery and equipment		171,732	
Data processing equipment		451,629	
Accumulated depreciation		<u>(559,039)</u>	101,612

Other long-term assets are not available to pay for
current period expenditures and, therefore, are
reported as unavailable revenue in the funds 341,550

Some liabilities are not due and payable in the current
period and, therefore, are not reported in the Governmental
Funds Balance Sheet.

These liabilities consist of:

Compensated absences payable			<u>(1,083,919)</u>
------------------------------	--	--	--------------------

Net position of governmental activities \$ (1,049,159)

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit D

**Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Automation Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Application fees	\$ -	\$ 226,690	\$ 226,690
Other state funds	307,368	-	307,368
Total revenues	<u>307,368</u>	<u>226,690</u>	<u>534,058</u>
Expenditures:			
General government:			
Current:			
Personal services and employee benefits	27,648,029	-	27,648,029
Contractual services	11,392,620	31,088	11,423,708
Other	5,639,433	203,940	5,843,373
Capital outlay	39,982	-	39,982
Total expenditures	<u>44,720,064</u>	<u>235,028</u>	<u>44,955,092</u>
Excess (deficiency) of revenues over expenditures	<u>(44,412,696)</u>	<u>(8,338)</u>	<u>(44,421,034)</u>
Other financing sources (uses):			
General Fund appropriations	43,899,000	-	43,899,000
Compensation appropriation	590,200	-	590,200
Board of Finance Grant	53,771	-	-
Reversions (note 6)	(158,853)	-	(158,853)
Total other financing sources (uses)	<u>44,384,118</u>	<u>-</u>	<u>44,330,347</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(28,578)</u>	<u>(8,338)</u>	<u>(36,916)</u>
Fund balance, beginning, as originally reported	(459,213)	94,932	(364,281)
Prior period adjustments (note 14)	(7,205)	-	(7,205)
Fund balance, beginning, as restated	<u>(466,418)</u>	<u>94,932</u>	<u>(371,486)</u>
Fund balance, ending	<u>\$ (494,996)</u>	<u>\$ 86,594</u>	<u>\$ (408,402)</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Government-Wide Statement of Activities
Year Ended June 30, 2015**

Net change in fund balance-Governmental Funds \$ (36,916)

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

Capital outlays are reported as expenditures in
governmental funds. However, in the Statement of
Activities, the cost of capital assets is allocated over
their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Depreciation expense	(41,362)
Capital outlay	39,982

Some intergovernmental revenue will not be collected within
60 days of fiscal year end. These are not considered
"available" revenues in the governmental funds until received.
Change in deferred inflows of resources on fund statements. -

Some items reported in the Statement of Activities
do not require the use of current financial resources
and, therefore, are not reported as expenditures in
governmental funds. These activities consist of:

Increase in compensated absences payable	<u>(69,293)</u>
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Change in net position of governmental activities	<u>\$ (107,589)</u>
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The accompanying notes are an integral part of the financial statements.

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2015

	General Fund			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	
Revenues:				
Intergovernmental revenue:				
General appropriations	\$ 43,899,000	\$ 43,899,000	\$ 43,899,000	\$ -
Compensation appropriation	590,200	590,200	590,200	-
State Board of Finance Grant	53,771	53,771	53,771	-
State Board of Finance Loan	400,000	400,000	-	(400,000)
Other state funds	-	321,768	274,015	(47,753)
Total revenues	44,942,971	45,264,739	44,816,986	\$ (447,753)
Prior-year funds re-budgeted	-	-	-	
	<u>\$ 44,942,971</u>	<u>\$ 45,264,739</u>	<u>\$ 44,816,986</u>	
Expenditures: (note 11)				
General government:				
Current:				
Personal services and employee benefits	\$ 28,533,700	\$ 27,785,548	\$ 27,648,029	\$ 137,519
Contractual services	11,014,018	11,694,538	11,394,353	300,185
Other	5,395,253	5,784,653	5,659,414	125,239
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 44,942,971</u>	<u>\$ 45,264,739</u>	<u>\$ 44,701,796</u>	<u>\$ 562,943</u>

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

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2015

	<u>Automation Special Revenue Fund</u>			
	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Application fees	\$ 270,000	\$ 270,000	\$ 226,690	\$ (43,310)
Interest	-	-	-	-
Total revenues	<u>270,000</u>	<u>270,000</u>	<u>\$ 226,690</u>	<u>\$ (43,310)</u>
Prior-year funds re-budgeted	-	-		
	<u>\$ 270,000</u>	<u>\$ 270,000</u>		
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	50,000	50,000	31,088	18,912
Other	<u>220,000</u>	<u>220,000</u>	<u>203,308</u>	<u>16,692</u>
Total expenditures	<u>\$ 270,000</u>	<u>\$ 270,000</u>	234,396	<u>\$ 35,604</u>
Increase in bank account charges			<u>632</u>	
Total expenditures, Exhibit D			<u>\$ 235,028</u>	

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

STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT

Exhibit F

Statement of Fiduciary Assets and Liabilities - Agency Fund
June 30, 2015

	<u>Agency Fund</u>
<u>Assets</u>	
Interest in State General Fund Investment Pool	\$ -
Due from other funds	-
Accounts receivable, net	<u>692,256</u>
Total assets	<u><u>\$ 692,256</u></u>
<u>Liabilities</u>	
Due to State General Fund (note 6)	\$ 692,256
Due to others	<u>-</u>
Total liabilities	<u><u>\$ 692,256</u></u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

1. History and Organization

The Public Defender Department (Department) was created by Chapter 31, Article 15, NMSA, 1978 Compilation. The Chief Public Defender is the administrative head of the Department who is appointed by the Public Defender Commission, which was created pursuant to Article 6, Section 39 of the constitution of New Mexico and consists of eleven members. Article 6 established the term and qualification requirements for both the Chief Public Defender and the members of the Public Defender Commission and established the manner in which the members of the commission would be appointed. The Commission is administratively attached to the Department and appoints a Chief Public Defender for term of four years by approval of two-thirds of its members. The Commission may reappoint a chief for subsequent terms.

The Chief Public Defender shall establish within the Department an Appellate Division to provide representation before the court of appeals and Supreme Court in appellate, review and post conviction proceedings involving persons represented under the Public Defender Act (31-15-1 to 31-15-12, NMSA 1978). The Chief Public Defender shall also appoint a district public defender, in each district, who shall administer the operations of the district and serve at the pleasure of the chief.

The purpose of the Department is to confer with and represent any person charged with any crime that carries a possible sentence of imprisonment and who appears in court without counsel. If the person is financially unable to obtain counsel, he/she is to be represented by the District Public Defender of the appropriate jurisdiction at all stages of the proceeding against him/her, including any appeal.

2. Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America 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 GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes US GAAP for governmental units. The more significant of the Department's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in US GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

A. Financial Reporting Entity (cont'd)

Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

The Department is legally separate and fiscally independent of other state agencies. The Chief Public Defender has decision-making authority, the power to manage operations of the Department, exercise authority over and provide general supervision of employees and primary accountability for fiscal matters. The Public Defender Department is a part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State.

Presently, the State of New Mexico issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. Included within the reporting entity is the Public Defender Department as described above. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the Public Defender Department as a whole) and fund financial statements. The reporting model focus is on either the Department as a whole or major individual funds (within the 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 Department has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects an accrual basis of accounting and an economic measurement focus resources basis, which incorporates long-term assets as well as long-term debt and obligations. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduced gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function. Program revenues include charges for services (indigent client non-refundable application fees) and state operating grants mainly associated with various Judicial District Juvenile and Adult Drug Courts.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

B. Basic Financial Statements – GASB Statement No. 34 (cont'd)

The Public Defender Department includes only one function (general government). General revenues (General Fund appropriation, transfers-in from other state agencies, refunds, etc.) normally cover the net cost (by function). Historically, the prior model did not summarize or present net cost by function or activity. Also, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

This government-wide focus is more on the sustainability of the Public Defender Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting 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 on the government-wide presentation.

C. Basis of Presentation – Fund Accounting

The financial transactions of the Department 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 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 Department uses the following fund types:

GOVERNMENTAL FUND TYPES

The focus of Governmental Fund measurement (in the fund 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 Public Defender Department.

General Fund - the General Fund (SHARE Fund #175-reverting) is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. Regular general and compensation appropriations accounted for in this fund are reverting.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

C. Basis of Presentation – Fund Accounting (cont'd)

GOVERNMENTAL FUND TYPES (cont'd)

Automation Special Revenue Fund (SHARE Fund #759-nonreverting – Section 31-15-5 1B) - Used to account for those proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The legal restrictions on expenditures and the authority for the creation of the Automation Special Revenue Fund is a result of Senate Bill 222 of the 41st Legislature of the State of New Mexico, which amended Section 31-15-12, NMSA, 1978 Compilation and created the fund. This fund is also considered a major fund under GASB 34 criteria.

FIDUCIARY FUND TYPES

Agency Fund - The Agency Fund (SHARE Fund #753-reverting) is used to account for the reimbursement from each person who has received legal representation or another benefit under the Public Defender Act after a determination is made that the person was not indigent according to the standard for indigence adopted by the Department. Any amounts recovered revert, less collection agent fees, to the State General Fund. The authority for creation of this fund is a result of the Laws of 1987, Chapter 20, NMSA, 1978 Compilation, amending Sections 31-15-7, 32-1-56, 34-6-46, 34-8A-11 and 35-5-8.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or 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. The government-wide and the fiduciary financial statements are presented on an accrual basis of accounting. The previous model reported fiduciary funds under the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Due to the implementation of GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2013, the Department reclassified “net assets” in the financial statements as “net position.” In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category at June 30, 2015. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

D. Basis of Accounting (cont'd)

Also, due to the implementation of GASBS 65 in FY 2014, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014, the Department reclassified “deferred revenue” in the financial statements as “deferred inflows of resources.” Also, see note 19 on page 26. The Department had one item that was required to be reported in this category at June 30, 2015.

The governmental funds in the fund financial statements are presented on a modified accrual basis of accounting.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or expected to be received within sixty days of year-end to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Nonexchange transactions, in which the Department receives value without directly giving equal value in return, includes grants.

Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Department must provide state resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis. On a modified accrual basis of accounting, revenue from a nonexchange transaction must also be available before it is recognized. Under the modified accrual basis of accounting, grant revenue sources are considered to be both measurable and available at year-end. There are no interfund transactions to be eliminated.

E. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the Department. Legal compliance is monitored by the establishment of a budget (modified accrual basis) and a financial control system that 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 Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

E. Budgets and Budgetary Accounting (cont'd)

1. By September 1st, the Public Defender Department prepares a budget request by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the appropriation unit level of the Public Defender Department as a whole and changes are approved by the DFA.
7. The Public Defender Department's budget for the fiscal year ending June 30, 2014 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. Appropriations lapse at the end of the year except for those amounts related to goods and services received by June 30th which are reflected as accounts payable in the financial statements.
9. The budgets for the General and Special Revenue Funds are adopted on a modified accrual basis per the General Appropriation Act, Laws of 2014. For the year ended June 30, 2015, in the General Fund, the Department has requested approval to pay prior-year payables that did not get paid within 31 days after the end of the fiscal year. The cash to pay those obligations is reverted to the State General Fund causing a negative fund balance. Although reflected as current year expenditures, those payables are paid out of next year's budget. Therefore, there are differences between the current year budgeted expenditures and fund financial statements expenditures.

In accordance with the requirements of Section 2.2.2.10, A(2)(b) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34, footnote 53, the budgetary comparison statements have been included as a part of the basic financial statements. For the General and Special Revenue Funds, the reconciliation between current year fund financial statement expenditures and budgeted expenditures is presented in Note 11.

F. Encumbrances/Contract Attorney Contracts

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration during the year in the governmental funds. So long as the appropriation period has not lapsed and budget exists, an encumbrance can be charged against the budget. However, when the appropriation period lapses, the budget authority is non-existent and the encumbrance can no longer be charged to that budget.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

F. Encumbrances/Contract Attorney Contracts (cont'd)

Legislation sets the appropriation period, which can be single or multi-year periods. At June 30, 2015, there were no multi-year encumbrances. However, for contract attorney contracts this is not true because the contract specifically states that the "Department shall not be bound by any numerical estimates of compensation." There is not a commitment by the Department to pay any amount at the time of contracting. The commitment (on a per case basis) arises when the contractor has had at least one documented direct contact with the client or has made one documented court appearance on the client's behalf. Contract attorney expenditures are charged to the budget fiscal year where the commitment exists.

G. Interest in State General Fund Investment Pool

The Department has defined cash and cash equivalents to include the Interest in State General Fund Investment Pool with the State Treasurer.

H. Receivables

Receivables consist of various accounts receivable including amounts due from current or former employees for payroll overpayments and PERA/RHC contributions not withheld, and amounts due from other state agencies and local governments. An allowance for doubtful accounts in the amount of \$1,159 has been established for those former employee receivables deemed uncollectible. See Note 4 below for details.

Agency fund accounts receivable consist of amounts due from persons who have received legal representation or another benefit under the Public Defender Act after a determination is made that the person is not indigent according to the standard for indigence adopted by the Department. An allowance for uncollectible accounts has been established in the amount of \$34,621,471, representing all outstanding amounts due from clients that are greater than six months old.

I. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using zero salvage value and the straight-line method over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. There is no debt related to capital assets.

Before the 2005 legislative session, only items costing more than \$1,000 were capitalized. Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. The Department has elected to include assets that cost less than \$5,000 but equal to or more than \$1,000, and were purchased prior to July 1, 2005, on their capital asset inventory.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

I. Capital Assets (cont'd)

The major classifications of capital assets and their related depreciable lives are as follows:

Machinery and equipment	4-20 years
Data processing equipment (including software)	4-5 years
Furniture and fixtures	10-20 years

J. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate.

State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Nonexempt employees accumulate compensation time for hours worked in excess of forty hours per week, based on their regular hourly rate. Such overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30, 2014, there was no compensation time owed to any employee.

The compensated absences liability is presented in two parts, a current portion and long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2016 and is an estimate management determined by the last fiscal year's usage. Based on this estimate, for the year ended June 30, 2015, the current portion of the compensated absences liability is \$935,300. For FY 2015, the long-term portion is \$148,619. In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

K. Reversions

Unexpended and unencumbered balances are generally reverted to the State General Fund. Laws of 2014 state that unexpended or unencumbered balances of the State General Fund appropriation and compensation appropriation to the Department shall revert. Accordingly, reversions are normally recorded in the current year for unexpended General Fund appropriations. Also, unexpended balances of special appropriations are reverted when required by law.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

2. Summary of Significant Accounting Policies (cont'd)

L. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net *investment in capital assets* reflects the portion of net position which is associated with non-liquid capital assets. *Restricted net position* is liquid assets which have third-party (statutory, bond covenant or granting agency) limitation on its use. When expenses are incurred for purposes for which both unrestricted and restricted funds are available, it is the policy of the Department to first apply restricted resources. *Unrestricted net position* represents unrestricted liquid assets.

M. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimated and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Interest in State General Fund Investment Pool

Funds with the State Treasurer are in the State General Fund Investment Pool (SGFIP). Cash in authorized bank accounts includes one checking account. The Department also maintains twelve (12) \$100 imprest petty cash funds at various locations within the state. The Department holds no investments. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978, as amended. For additional disclosure information regarding the investment in the State Treasurer's SGFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2015, review the State Treasurer's Investment Policy at http://www.nmsto.gov/investment_policy, and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

Since the one individual special revenue funds' checking account balance did not exceed \$250,000, it is fully insured by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral is not required. Accounts of the Department at June 30, 2015 are as follows:

<u>Account Name</u>	<u>Fund Type</u>	<u>Fund No.</u>	<u>Account Type</u>	<u>Balance per Depository</u>	<u>Outstanding Checks</u>	<u>Balance per Financial Statements</u>
State Treasurer:						
Operating	General	355-175	SGFIP	\$ 2,119,103	\$ -	\$ 2,119,103
Automation	Special Revenue	355-759	SGFIP	87,099	-	87,099
Centinel Bank-Taos	Special Revenue	N/A	Checking	795	-	795
Petty Cash				-	1,200	-
						1,200
Subtotal Governmental Funds				-	2,208,197	-
State Treasurer:						
Client Reimbursements	Agency	355-753	SGFIP	-	-	-
Total cash on deposit and petty cash				\$ -	\$ 2,208,197	\$ -
				\$ -	\$ 2,208,197	\$ -

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

4. Receivables

Due from employees – this represents amounts due from current or former employees for payroll overpayments and for amounts associated with Public Employees’ Retirement and Retiree Health Care contributions (combined total \$17,965), that were not initially withheld from employees’ paychecks. Only the former employee payroll overpayments, (\$1,159) are considered uncollectible. The net amount receivable is \$16,806.

Due from other state agencies – an amount due from the Department of Finance and Administration, \$341,550, for back pay to eligible union employees as required by arbitration awards confirmed in various District Court actions challenging the state’s implementation of the compensation appropriation per the General Appropriations Act of 2008, Section 8 (A) (5) as well as the employer’s share of applicable taxes and retirement benefits associated with such back pay.

Due from local governments – this represents amounts due and received after June 30 from various statewide judicial district juvenile and adult drug courts, \$33,353.

Accounts receivable (Agency Fund) – Laws of 1987, Chapter 20, require the Chief Public Defender to “provide for collection reimbursement from each person who has received legal representation or another benefit under the Public Defender Act after a determination is made that the person is not indigent according to the standard for indigence adopted by the Department.” The maximum charge per defendant may be as much as \$27,500. The law further requires that “any amounts recovered shall be paid to the State Treasurer for credit to the State General Fund.” Accordingly, the resulting receivable and cash collected during the year are recorded as assets with a resulting liability to the State General Fund less any amounts due a collection agency or others.

5. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance 7/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/15</u>
Machinery and equipment	\$ 131,750	\$ 39,982	\$ -	\$ 171,732
Accumulated depreciation	(131,750)	(39,362)	-	(171,112)
Data processing equipment	451,629	-	-	451,629
Accumulated depreciation	(366,471)	-	-	(366,471)
Furniture and fixtures	37,290	-	-	37,290
Accumulated depreciation	(19,456)	(2,000)	-	(21,456)
Totals	<u>\$ 102,992</u>	<u>\$ (1,380)</u>	<u>\$ -</u>	<u>\$ 101,612</u>

There is no debt related to capital assets. Depreciation expense for the year was \$41,362.

6. Due to State General Fund

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund by September 30 of each year. An agency may adjust the reversion within forty-five days of release of the audit report. The current year reversion and amounts due to the State General Fund from the Department general fund are as follows:

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

6. Due to State General Fund (cont'd)

Fiscal year general appropriation reversion (budget basis surplus)	
FY 2015 unexpended balance, Org P720	\$ 158,853
FY2015 refunds	<u> -</u>
Total Due to State General Fund	<u><u>\$ 158,853</u></u>

The amount due to the State General Fund from the Agency Fund is composed of the following:

Accounts receivable, net	\$ 692,256
Interest in SGF Investment Pool	-
Amounts due from other funds	<u> -</u>
Due to State General Fund	<u><u>\$ 692,256</u></u>

7. Union Back Pay Settlement Issue

At June 30, 2014, the Department of Finance and Administration (DFA) was in the process of settling back pay to eligible union employees as required by the arbitration awards confirmed in various District Court actions challenging the state's implementation of the compensation appropriation made in the General Appropriations Act of 2008, Section 8 (A) (5) as well as the employer's share of applicable taxes and retirement benefits associated with such back pay. The DFA estimated the union settlement back pay would cost the State of New Mexico an overall amount of \$23.9 million.

According to the amount of anticipated full-time equivalent employees (FTE) the Department has (approximately 250 FTE covered by the union) compared to all estimated state employees covered by the union (approximately 10,729 FTE), the Department's potential liability is 2.33% or \$654,650.

In FY2015, four payments totaling \$413,153 were received leaving the Department's estimated liability at \$241,497. The amount is included in accounts payable at June 30, 2015.

8. Leases

The Department leases office space in thirteen (13) locations throughout the State and meeting/training room space, as needed. All leases have an early termination clause. Accordingly, there are no future minimum rentals.

The Department also leases several postage meters and copying machines considered operating leases. All leases may be canceled at the end of any fiscal year with no penalty. Total office space and equipment rent expense for the year ended June 30, 2015 were \$2,394,758 and \$260,554, respectively.

The Department also leases twenty-seven (27) vehicles on a month-to-month basis and other short-term vehicles as needed. Total vehicle lease expense was \$97,269 for FY 2015.

**STATE OF NEW MEXICO
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**Notes to Financial Statements
June 30, 2015**

9. Changes in Long-Term Debt

A summary of changes in long-term debt is as follows:

	<u>Balance 7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/15</u>	<u>Due Within One Year</u>
Compensated Absences Payable	\$ 1,014,626	\$ 1,033,703	\$ (964,410)	\$ 1,083,919	\$ 935,300

The Public Defender Department’s general fund is used to pay compensated absences.

10. Fund Balance

The GASB issued Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned).

Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature’s and Executive Branch’s intent to be used for specific purposes or in some cases by legislation.

Currently, in the general fund only, the Department has nonspendable fund balance for prepaid expenses in the amount of \$6,734 and unassigned deficit fund balance in the amount of (\$501,730) which is mainly the result of unfunded expenditures totaling \$130,811 in budget program Z4000 and also due to the Department’s request to pay prior-year payables in the amount of \$21,570 that did not get paid within thirty-one days after the end of the fiscal year.

The funds to pay those obligations are normally reverted to the State General Fund, causing a negative fund balance. Although reflected as current year expenditures, those payables amounting to \$21,570 are paid out of next year’s budget. The allowance for uncollectible receivables and unresolved ongoing issues with payroll tax, payroll benefits and other payroll liabilities also impact the general fund negative fund balance.

Also, see note 17 on page 25.

Fund Balance-Restricted for purchase and maintenance of automation systems - Senate Bill 222 of the 41st legislature of the State of New Mexico amended Section 13-15-12, NMSA, 1978, and created the Special Revenue Automation Fund. Revenues of the fund are generated by assessing each person who applies for Public Defender representation a non-refundable \$10 fee.

There are provisions for waiver of the fee. The law further provides that application fee revenue shall be used for the purchase and maintenance of automation systems. Accordingly, unexpended balances remaining in the fund are presented as such in the amount of \$86,594.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

11. Reconciliation of Fund Expenditures to Budgetary Expenditures

A reconciliation of fund to budgetary expenditures on the modified-accrual basis is shown below:

	General Fund				
	Actual Fund Expenditures	FY14 Payables Charged to FY15 Budget	FY15 Payables Charged to FY16 Budget	Corrections/ Adjustments	Actual Budgetary Expenditures
General Government:					
Current:					
Personal services/ employee benefits	\$ 27,648,029	\$ -	\$ -	\$ -	\$ 27,648,029
Contractual services	11,392,620	1,733	-	-	11,394,353
Other	5,679,415	68,917	(21,570)	(67,348)	5,659,414
Total expenditures	<u>\$ 44,720,064</u>	<u>\$ 70,650</u>	<u>\$ (21,570)</u>	<u>\$ (67,348)</u>	<u>\$ 44,701,796</u>
	Automation Special Revenue Fund				
	Actual Fund Expenditures	Corrections/ Adjustments	FY15 Payables Charged to FY16 Budget	Actual Budgetary Expenditures	
General Government:					
Current:					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	
Contractual services	31,088	-	-	31,088	
Other	203,940	(632)	-	203,308	
Total expenditures	<u>\$ 235,028</u>	<u>\$ (632)</u>	<u>\$ -</u>	<u>\$ 234,396</u>	

12. PERA Pension Plan

Plan Description. Substantially all of the State of New Mexico, Public Defender Department's full time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 6.28% to 18.15% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer of their gross salary. The Public Defender Department is required to contribute from 7.0% to 25.72% depending upon the plan of the gross covered salary. The contribution requirements of plan members and the Public Defender Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ended June 30, 2015, 2014 and 2013 were \$3,276,426, \$3,011,675, and \$2,564,977, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

13. Post-Employment Benefits – State Retiree Health Care Plan

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the state required each participating employer to contribute 2.5% of each participating employees annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

13. Post-Employment Benefits – State Retiree Health Care Plan (cont'd)

June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The Public Defender Department's contributions to the RHCA for the fiscal years ended June 30, 2015, 2014 and 2013 were \$385,821, \$362,731 and \$340,162, respectively, which equal the required contributions for each fiscal year.

14. Prior Period Adjustments

General Fund beginning fund balance and G/W net assets were restated due to the following:

Amounts not included in FY14 accounts payable (requests to pay prior-year bills submitted after FY14 audit - charged to FY15 budget) - Org unit P720	\$ 3,461
Amounts not included in FY14 expenditures - PERA and RHC omitted from employees payroll deductions - Org unit P720	<u>3,744</u>
Total prior-period adjustments	<u>\$ 7,205</u>

15. Risk Management and Litigation

The Public Defender Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Department are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Department is a party.

16. Operating Transfers

	<u>From</u>	<u>To</u>	<u>Purpose</u>
Dept. of Finance and Admin (Fund #853) Public Defender Department (Fund #175)	\$ 43,899,000	\$ 43,899,000	Regular Appropriation
Dept. of Finance and Admin (Fund #620) Public Defender Department (Fund #175)	\$ 590,200	\$ 590,200	Compensation Appropriation
Dept. of Finance and Admin (Fund #209) Public Defender Department (Fund #175)	\$ 53,771	\$ 53,771	State Board of Finance Grant Unpaid FY 2014 Invoices

**STATE OF NEW MEXICO
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**Notes to Financial Statements
June 30, 2015**

17. Deficit Unrestricted Net Position/Unreserved-Undesignated Fund Balance

The deficit unrestricted net position, \$1,237,365, on the Statement of Net Position, Exhibit A, is mainly the result of compensated absences (\$1,083,919), requests to pay prior-year bills (\$21,570) included in current-year expenditures and accounts payable but not allowed as a reduction in the current -year reversion and amounts due to the State General Fund and unfunded expenditures totaling \$130,811 in budget program Z4000. The reasons for the negative fund balance on the fund financial statements are described in Note 10 on page 21.

The Department continues to take measures to address the requests to pay prior-year bills issue (mainly expert witness requests) to reduce or eliminate these deficit/negative balances. For FY 2015, the Department was not able to adequately determine outstanding obligations at the end of the fiscal year and increased the occurrences (47 for 2015 as opposed to 37 initial requests increased to a total of 40 for 2014) of having to pay invoices out of a subsequent year's budget. The FY15 amount totaled \$21,570 as opposed to a total of \$70,650 in FY14.

18. Statewide Cash Reconciliation Issue

In June 2012, a diagnostic report revealed that the State General Fund Investment Pool (LGIP) balances had not been reconciled at the business unit/fund level since the inception of the SHARE system in July of 2006. The diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is "Current State Diagnostic of Cash Control – June 2012." The General Fund Investment Pool (GFIP) is the State Treasurer fund where the Office cash is invested pursuant to Section 8-6-3 NMSA 1978.

The Department of Finance Administration (DFA), in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology and a contracted third party PeopleSoft Treasury expert, conducted a Cash Management Remediation Project (Remediation Project) with a goal of achieving "a point forward" reconciliation of cash, as of February 2013. However, as of June 30, 2015, the old unreconciled items that occurred from July 1, 2006 through February 2013, remained unreconciled. For current status on Cash Management Remediation Project please refer to Department of Finance and Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

On July 11, 2014, DFA entered into a \$1,000,000 contract with Deloitte & Touche, LLP. The contract terminated June 30, 2015. The goals of the contract were for the contractor to:

- Design and execute a process to reconcile historical bank account transactions to entries recorded in the State's official book of record, SHARE, for the period beginning July 2006 and ending January 2013.
- Develop a tool to identify and match offsetting bank and book transactions and identify non-matching items to be assessed for additional research, recommended resolution and or next steps
- Provide the DFA reports including a project plan outlining project activities, weekly status reports, issues/risks log and a monthly steering committee report.

The Department's chief financial officer has developed the following internal control procedures to monitor the monthly changes in the Department's Interest in General Fund Investment Pool accounts related to each of these areas of risk noted in the report referenced above: deposits;

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2015**

18. Statewide Cash Reconciliation Issue (cont'd)

disbursements; and journal entries posted to the Interest in General Fund Investment Pool accounts in SHARE. These internal control procedures have been in effect for the most part since the conversion to SHARE in FY07. The Department's accountant/auditor inputs into an Excel spreadsheet all monthly changes in every account from the SHARE trial balance report, and then the accountant/auditor ties the changes in these various account balances back to the monthly change in the Department's Interest in General Fund Investment Pool accounts. In addition, the monthly deposits per the general ledger are tied back to the original deposit documentation, or in the case of an appropriation, the deposits are tied back to the original law. The changes in the payroll liabilities that are posted to the Department's general ledger by DFA are scheduled out on an Excel spreadsheet by the chief financial officer for the entire year, and reviewed for consistency and reasonableness. Expenditures recorded for each month, and the related change in the accounts payable balances are included in the overall reconciliation back to the monthly change in the Department's Interest in General Fund Investment Pool accounts. The Department's accountant/auditor reviews the posting of all journal entries to ensure that the resulting effect on the Interest in General Fund Investment Pool and other accounts is the intended result. These processes that have been put into place by the Department's chief financial officer are the reasons that risk of misstatement of the Department's Interest in General Fund Investment Pool accounts has been mitigated to a low level of risk, even though there are significant problems with the statewide cash reconciliation process described above.

19. Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers (GASB 68)

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2015. The Public Defender Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, Total pension liability exceeds Plan net 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 State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

20. Subsequent Events

The Department has evaluated subsequent events through November 17, 2015, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Statement 1

**Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2015**

	General Fund - P720 - Criminal Legal Services			
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenue:				
General appropriations	\$ 43,899,000	\$ 43,899,000	\$ 43,899,000	\$ -
Compensation appropriation	590,200	590,200	590,200	-
Other state funds	-	321,768	274,015	(47,753)
Total revenues	<u>44,489,200</u>	<u>44,810,968</u>	<u>\$ 44,763,215</u>	<u>\$ (47,753)</u>
Prior-year funds re-budgeted	-	-		
	<u>\$ 44,489,200</u>	<u>\$ 44,810,968</u>		
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ 28,533,700	\$ 27,785,548	\$ 27,648,029	\$ 137,519
Contractual services	10,574,400	11,254,920	11,223,364	31,556
Other	5,381,100	5,770,500	5,645,821	124,679
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 44,489,200</u>	<u>\$ 44,810,968</u>	<u>\$ 44,517,214</u>	<u>\$ 293,754</u>

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

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2015

	General Fund - Z4000			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	
Revenues:				
Intergovernmental revenue:				
Board of Finance Grant	\$ 53,771	\$ 53,771	\$ 53,771	\$ -
Board of Finance Loan	400,000	400,000	-	(400,000)
Total revenues	453,771	453,771	53,771	\$ (400,000)
Prior-year funds re-budgeted	-	-	-	
	<u>\$ 453,771</u>	<u>\$ 453,771</u>	<u>\$ 53,771</u>	
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	439,618	439,618	170,989	268,629
Other	14,153	14,153	13,593	560
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 453,771</u>	<u>\$ 453,771</u>	<u>\$ 184,582</u>	<u>\$ 269,189</u>

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

OTHER INFORMATION

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Schedule 1

**Schedule of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<u>Assets</u>				
Interest in SGF Investment Pool	\$ 2,780	\$ 275,169	\$ (277,949)	\$ -
Due from other funds	50	-	(50)	-
Accounts receivable	34,746,702	849,044	(282,019)	35,313,727
Less:				
Allowance for uncollectibles	<u>(33,604,553)</u>	<u>(1,016,918)</u>	<u>-</u>	<u>(34,621,471)</u>
Total assets	<u>\$ 1,144,979</u>	<u>\$ 107,295</u>	<u>\$ (560,018)</u>	<u>\$ 692,256</u>
<u>Liabilities</u>				
Due to State General Fund	\$ 1,144,979	\$ 849,044	\$ (1,301,767)	\$ 692,256
Due to others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 1,144,979</u>	<u>\$ 849,044</u>	<u>\$ (1,301,767)</u>	<u>\$ 692,256</u>

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Memoranda of Understanding
Year Ended June 30, 2015**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and Administrative Office of the Courts	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the DWI/Drug Court program in Valencia County.	7/1/14-6/30/15	\$ 20,000	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Memoranda of Understanding
Year Ended June 30, 2015**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and Administrative Office of the Courts	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the Drug Court program in Torrance County.	7/1/14-6/30/15	\$ 11,520	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Memoranda of Understanding
Year Ended June 30, 2015**

Participants	Administering Agency	Description	Term	Total Amount	PDD Amount	Audit Responsibility
New Mexico Public Defender Department and San Miguel County	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the the Sobriety Drug Court Program in San Miguel County.	7/1/14-6/30/15	\$ 10,000	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Memoranda of Understanding
Year Ended June 30, 2015**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and Administrative Office of the Courts	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the Drug Court program in Doña Ana County.	7/1/14-6/30/15	\$ 20,000	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY16 Target	FY16 Result	Met Target	Year-End Results Narrative
Agency: 28000 Public Defender Department					
Program: P850 Public Defender Department					
The purpose of the criminal legal services program is to provide effective legal representation and advocacy for eligible clients so their liberty and constitutional rights are protected and to serve the community as a partner in assuring a fair and efficient criminal justice system that sustains New Mexico's statutory and constitutional mandate to adequately fund a statewide indigent defense system.					
Efficiency	Percent of cases in which application fees were collected	45%		<input type="checkbox"/>	
Quality	Percent of felony cases resulting in a reduction of original formally filed charges	75%		<input type="checkbox"/>	
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	70%		<input type="checkbox"/>	
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	70%		<input type="checkbox"/>	
Output	Number of alternative sentencing treatment placements in felony, misdemeanor and juvenile cases for clients of staff attorneys			<input type="checkbox"/>	

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Schedule 3

Example Entity
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Rhonda Sanchez Title: Fiscal Director Date 11/5/15

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
FY12 RFP	Prof. Services	Aragon, Anna M.	\$97,256.25	\$178,303.13	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Archibeque, Steven P.	\$267,500.00	\$722,250.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Bargas, Roger	\$216,250.00	\$465,262.50	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Benavidez, Tomas R.	\$97,256.25	\$280,995.82	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Brown & Gallegos,	\$302,575.00	\$410,637.50	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Bustamante , Edward O.	\$192,600.00	\$307,090.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Calligan, Mike	\$216,000.00	\$431,750.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Carmack-Altwhies, Mary	\$224,700.00	\$374,500.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Carreon, Mario A.R.	\$193,612.50	\$301,550.00	See attached list	In State	N/A	Legal representation Clients

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Example Entity
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Rhonda Sanchez Title: Fiscal Director Date 11/5/15

FY12 RFP	Prof. Services	Carrier Feilmeier, Laurel	\$240,750.00	\$422,650.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Chavez, Randy M.	\$299,600.00	\$411,996.88	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Ching, Alexander B.	\$133,515.63	\$331,118.75	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Clark and Jones, Attorneys at Law, LLC,	\$357,018.75	\$465,206.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Cosby, Jesse	\$155,331.25	\$251,743.75	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Deschamps, Lee	\$342,400.00	\$685,000.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Duran & McDonald, LLC,	\$10,756.25	\$224,700.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Fenderson, Keren H.	\$192,600.00	\$326,350.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Fernandez, Gary	\$189,000.00	\$442,581.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Floersheim, Ray A.	\$153,271.25	\$412,321.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Foghi, Boglarka	\$107,437.50	\$188,015.63	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Foster, Leonard	\$214,000.00	\$481,500.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Gallagher, Sandra E.	\$215,625.00	\$391,251.95	See attached list	In State	N/A	Legal representation Clients

Example Entity
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Rhonda Sanchez Title: Fiscal Director Date 11/5/15

FY12 RFP	Prof. Services	Gallegos, H. Chico	\$243,140.63	\$329,590.63	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Gaudette, Gregory	\$204,368.75	\$484,031.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Golightley, Kelly Alexis	\$192,600.00	\$267,500.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Gomez, Theresa	\$194,512.50	\$465,293.75	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Grubestic, John	\$192,600.00	\$331,700.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Harden, Thomas A.	\$215,625.00	\$442,181.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	AAA Law Center,	\$214,875.00	\$365,637.50	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Hernandez, Arthur	\$214,875.00	\$440,493.75	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Holmes, Todd A.	\$161,437.50	\$457,931.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Huggins , Matthew J.	\$192,600.00	\$288,900.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Kelley & Boone Attorneys At Law,	\$80,250.00	\$208,650.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Kerr, Liane	\$310,300.00	\$417,300.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Leos, Cindy	\$16,228.13	\$176,550.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Longley, David D.	\$321,000.00	\$492,200.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Lopez, Raul A.	\$192,600.00	\$272,850.00	See attached list	In State	N/A	Legal representation Clients

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Example Entity
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Rhonda Sanchez Title: Fiscal Director Date 11/5/15

FY12 RFP	Prof. Services	Lopez, Dietzel & Perkins PC,	\$751,625.00	\$1,127,737.50	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Loranger, Tyr R.	\$53,250.00	\$213,000.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	McCall, John	\$214,000.00	\$342,400.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Miller, Jonathan	\$42,800.00	\$283,550.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Mitchell PC, Gary	\$130,350.00	\$130,350.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Mitsunaga, Megan K.	\$192,600.00	\$342,400.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Mondragon Law,	\$324,187.50	\$540,437.48	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Montoya, Sarah M	\$161,906.25	\$291,431.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Morrissey, Kari T.	\$192,600.00	\$385,200.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Ortega, Peter	\$161,343.75	\$268,906.25	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Porter, Susan M.	\$96,300.00	\$176,550.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Rhinehart, Kathleen M.	\$235,400.00	\$524,300.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Riley, Katherine Stout	\$288,900.00	\$447,900.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Mercer, Cindy M	\$247,393.75	\$197,397.52	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Chavez, Kirk	\$168,000.00	\$744,438.51	See attached list	In State	N/A	Legal representation Clients

Example Entity
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: Rhonda Sanchez Title: Fiscal Director Date 11/5/15

FY12 RFP	Prof. Services	Salazar, Daniel	\$192,600.00	\$265,013.56	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Sanchez-Armijo, Rosa	\$211,875.00	\$339,075.00	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Snowden, William	\$85,800.00	\$117,993.75	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Stevens, Steve	\$295,796.88	\$726,421.88	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Tangora, Robert	\$162,281.25	\$481,434.38	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Torres & Garde,	\$419,493.75	\$807,768.75	See attached list	In State	N/A	Legal representation Clients
FY12 RFP	Prof. Services	Turner, Robert F.	\$376,250.00	\$827,750.00	See attached list	In State	N/A	Legal representation Clients
LOPD FY2015 1	RFP	Westlaw	\$ 256,019	\$ 256,019	Westlaw, PO LexisNexis, NEED ADDRESSES		N/A	Online legal research access
N/A	Sole Source	State Bar	\$ 80,000		no protests	In State	N/A	Attorney Bar License Renewal
GSD Lease	RFP	Taos Lease	\$ 31,425	\$ 69,029	Unknown. Awarded through GSD.	In State	N/A	Taos Public Defender district office.
N/A	Exempt	Eric Westfired	\$ 79,938		Litigationhn Exemption - no other responders	In State	N/A	Litigation Forensic Psychiatric Expert
N/A	Exempt	Troy Garity	\$ 69,800		Litigationhn Exemption - no other responders	In State	N/A	Litigation Investigative Expert
N/A	Exempt	Maxann Shwartz	\$ 80,430		Litigationhn Exemption - no other responders	In State	N/A	Litigation Forensic Psychiatric Expert

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Last	First	Firm	Address	City	State
Aarons	Stephen D.	Aarons Law Firm PC	P.O. Box 1027	Santa Fe	NM
Albright	Jennifer R.		4925 Burton SE	Albuquerque	NM
Allen	Mila L.	Mila L. Allen, Attorney at Law	P.O. Box 2340	Milan	NM
Allred	Joe	Joe Allred, Attorney at Law	107 Bryn Mawr S.E.	Albuquerque	NM
Aragon	Anna M.	Law Office of Anna M. Aragon	1618 Seventh St.	Las Vegas	NM
Aragon	Cynthia (Stanaland)	Cynthia Aragon, Attorney at Law LLC	P.O. Box 91773	Albuquerque	NM
Aragon	Michael	Aragon Law Office	P.O. Box 1777	Las Vegas	NM
Archibeque	Steven P.	Law Office of Steven P. Archibeque	P.O. Box 27734	Albuquerque	NM
Atkins	Erinna M. (Erin)	Law Office of S. Bert Atkins, Attorney at Law, P.C.	P.O. Box 255	Alamogordo	NM
Atkins	S. Bert	Law Office of S. Bert Atkins, Attorney at Law, P.C.	P.O. Box 255	Alamogordo	NM
Baca	Gerald	Law Office of Gerald E. Baca	P.O. Box 999	Las Vegas	NM
Baiamonte	James P.	Law Office of James Baiamonte	9900 Lomas Blvd. N.W.	Albuquerque	NM
Bargas	Roger	Roger Bargas Attorney at Law	P.O. Box 1433	Tucumcari	NM
Benavidez	Andres	AAB Law Center	P.O. Box 95036	Albuquerque	NM
Benavidez	Tomas R.	Benavidez Law Office	2407 North Gonzales St.	Las Vegas	NM
Bennett	L. Helen	L. Helen Bennett, P.C. Attorney at Law	P.O. Box 4305	Albuquerque	NM
Bhalla	Carey	Law Office of Carey C. Bhalla LLC	1011 Lomas Blvd. NW	Albuquerque	NM
Blair	Chandler C.	Gary C. Mitchell, P.C.	P.O. Box 2460	Ruidoso	NM
Boland	Aaron	Aaron Boland, P.C.	1322 Paseo De Peralta	Santa Fe	NM
Boone	Joshua D.	Kelley & Boone Attorneys At Law	800 Lomas N.W., Ste. 100	Albuquerque	NM
Bowlin	John M.	Bowlin Law Firm, LLC	13 W. Washington; P.O. Box 456	Lovington	NM
Brown	Wilma	Brown & Gallegos	P.O. Box 1059	Las Vegas	NM
Bustamante	Edward O.		610 Gold Ave., Suite 214	Albuquerque	NM
Bustos	Arthur L.	Bustos Law Office	321 Grand Ave.	Las Vegas	NM
Calligan	Mike		P.O. Box 1570	Grants	NM
Campbell	Joseph E.	Law Offices of Joseph Campbell	3 George Ct., Ste. C2	Edgewood	NM
Carmack-Altwhies	Mary	Mary V. Carmack Law P.C.	908 Lomas Blvd. NW	Albuquerque	NM
Caroland	Monica E.	Harris Law Firm	1112 Pile Street	Clovis	NM
Carreon	Marion A.R.	Mario A.R. Carre'on	200 W. Las Cruces Ave., Ste B	Las Cruces	NM
Carrier Feilmeier	Laurel A.	Laurel A. Carrier Feilmeier, Atty at Law	P.O. Box 45348	Rio Rancho	NM
Chavez	Randy M.	Randy M. Chavez, Attorney at Law	300 Central Ave. SW, Ste. 1200	Albuquerque	NM
Ching	Alexander B.	Ching Law Firm	1601 North Turner, Ste. 212	Hobbs	NM
Clark	Matt C.	Clark and Jones, LLC	1322 Paseo De Peralta	Santa Fe	NM

Clark	Thomas M.	Clark and Jones, LLC	1322 Paseo De Peralta	Santa Fe	NM
Collopy	Bryan Arthur	Collopy Law Offices, LLC	203 East Sanger St.	Hobbs	NM
Cosby	Jesse	Jesse R. Cosby P.C.	824 N. Main, Ste. E	Roswell	NM
Curnutt	Mark A.	Fortner & Curnutt, LLC	P.O. Box 1960	Farmington	NM
Curtis	Scott M.	Scott M. Curtis, Attorney	P.O. Drawer 1259	Farmington	NM
D'Arcangelis	Mary Anne	Mary Anne's Law Office, Inc.	620 Roma NW	Albuquerque	NM
Davis	Michael V.	Michael V. Davis, Attorney at Law	P.O. Box 3748	Corrales	NM
Deschamps	Lee	Deschamps & Kortemeier Law Offices, P.C.	P.O. Drawer 389	Socorro	NM
Dietzel	Daniel	Lopez, Dietzel & Perkins, P.C.	P.O. Box 1289	Silver City	NM
Earnest	Mark A.	Earnest Law Office	P.O. Box 7427	Albuquerque	NM
Fenderson	Keren H.	Fenderson Firm	P.O. Box 6641	Albuquerque	NM
Fernandez	Gary	Gary Fernandez Law Office	216 W High St.	Grants	NM
Floersheim	Ray A.	Ray A. Floersheim	P.O. Box 1437	Raton	NM
Foghi	Boglarka		1380 Rio Rancho Blvd. #366	Rio Rancho	NM
Fortner	Jack	Fortner & Curnutt, LLC	P.O. Box 1960	Farmington	NM
Foster	David	David Foster Law Firm, P.C.	P.O. Box 95102	Albuquerque	NM
Foster	Leonard	Law Office Of Leonard J. Foster	300 Central Ave., SW Ste. 1200	Albuquerque	NM
Franklin	Bobbie P.	Advocate Law Center, P.A.	821 South Ford Dr.	Gallup	NM
Gallegos	Flora	Brown & Gallegos	P.O. Box 1059/ 1630 Seventh St.	Las Vegas	NM
Gallegos	H. Chico	Gallegos Law	742 Terrace Drive	Las Vegas	NM
Garde	Thomas C.	Torres & Garde	P.O. Box 1420	Los Lunas	NM
Gaudette	Gregory	Law Office of Gregory Gaudette	P.O. Box 3038	Los Lunas	NM
Giovannini	Peter J.	Law Office of Peter J. Giovannini, P.C.	P.O. Box 621	Las Cruces	NM
Golightley	Kelly Alexis	Kelly Alexis Golightley, LLC	1022 Second St. NW	Albuquerque	NM
Gomez	E. Michael	Gomez Law Offices, LLC	P.O. Box 3171	Roswell	NM
Gomez	Theresa	Theresa A. Gomez, Attorney at Law	224 W Coal Ave.	Gallup	NM
Grano	Marc A.	Silva & Grano Law, PC	P.O. 1303	Las Vegas	NM
Grubestic	Dana	Kanter Grubestic & Snyder PA - A.K.A. KGS Law Firm	P.O. Box 25483	Albuquerque	NM
Grubestic	John	Kanter & Grubestic P.A.	P.O. Box 25483	Albuquerque	NM
Guerra	Thomas	Law Offices of Thomas Guerra	117 East Spruce St.	Deming	NM
Han	Elizabeth	Law Office of Elizabeth V. Han	P.O. Box 21807	Albuquerque	NM
Harden	Thomas A.		1100 Mitchell	Clovis	NM
Hernandez	Arthur	Arthur Hernandez, Attorney at Law	1400 Barabara Loop SE	Rio Rancho	NM
Hill	Jonathan	Jonathan Hill Attorney at Law	800 Lomas Blvd. NW, Ste 200	Albuquerque	NM

Holmes	Todd A.	The Holmes Law Firm	P.O. Box 4065	Alamogordo	NM
Hoon Witz	Twila A.	Law Office of Twila A. Hoon, P.C.	P.O. Box 1396	Socorro	NM
Hufford	Marc G.	AAA Law Center, LLC	4101 Barbara Loop SE, Ste. C	Rio Rancho	NM
Huggins	Matthew J.	The Law Office of Matthew J. Huggins, P.C.	800 Lomas NW, Suite 200	Albuquerque	NM
Jacks	Jack Bennett		1000 Second Street NW	Albuquerque	NM
Jaramillo	Amavalise F.	Law Office Of Amavalise F, Jaramillo, LLC	P.O. Box 28	Tome	NM
Jerabek	Isabel	Isabel Jerabek - Attorney at Law	P.O. Box 3245	Las Cruces	NM
Jones	P. Jeffery	Jones Law Office	304 Catron St.	Santa Fe	NM
Jones	Michael R.	Clark and Jones, LLC	1322 Paseo De Peralta	Santa Fe	NM
Keithley	Lara K.	Keithley & Keithley	P.O. Box 2649	Tijeras	NM
Kelley	John R.	Kelley & Boone Attorneys At Law	800 Lomas N.W., Ste. 200	Albuquerque	NM
Kerr	Liane	Liane E. Kerr LLC	P.O. Box 25762	Albuquerque	NM
Kling	Craig C.	Law Office of Craig C. Kling	6073 Roselle Meadows Trail	San Diego	CA
Knight	Christopher J.	Law Office of Christopher J. Knight	3223 West Meadow Dr.	Albuquerque	NM
Kortemeier	Stephen K.	Deschamps & Kortemeier Law Offices, P.C.	P.O. Drawer 389	Socorro	NM
Landrum	Hal B. Jr.	Attorney Hal Landrum, Jr.	1335 Paseo De Pueblo Sur #111	Taos	NM
Leavell	Julita Ann	Law Offices of Julita Ann Leavell, Esq.	P.O. Box 40025	Albuquerque	NM
Longley	David D.	Law Offices of David D. Longley	201 12th St., N.W.	Albuquerque	NM
Lopez	David M.	Lopez, Dietzel & Perkins, P.C.	P.O. Box 1289	Silver City	NM
Lopez	Raul A.		1311 5th St., N.W.	Albuquerque	NM
Loranger	Tyr	Loranger Law, LLC	P.O. Box 2421	Santa Fe	NM
Lowry	James S.	Attorney James Lowry LLC	400 E. College Blvd., Ste. A	Roswell	NM
Marjon	Joachim	Marjon Law P.C.	P.O. Box 1632	Santa Fe	NM
Marlowe	Daniel	Marlow Law Firm	P.O. Box 8207	Santa Fe	NM
Martinez	Frank	Mondragon Law Office	P.O. Box 1385	Las Vegas	NM
Maxwell	Martin H.	Max Law Center, P.C.	5901 Wyoming Blvd. NE J#242	Albuquerque	NM
McCall	John	Law Works LLC	823 Gold Ave. SW	Albuquerque	NM
Melka	Madeline	Law Offices of Madeline Melka	P.O. Box 1523	Hope	NM
Mercer	Cindy M		P.O. Box 1297	Los Lunas	NM
Miller	Jonathan	Jonathan Miller Attorney at Law	P.O. Box 27638	Albuquerque	NM
Mitchell	Gary C.	Gary C. Mitchell, P.C.	P.O. Box 2460	Ruidoso	NM
Mitsunaga	Megan K.	The Law Office of Mitsunaga and Murphy	59 Calle Monte Aplanado NW	Albuquerque	NM
Mondragon	Ben	Mondragon Law Office	P.O. Box 1385	Las Vegas	NM
Montoya	Sarah M	Montoya Law Law Office	P.O. Box 266	Raton	NM

Montrose	Gerard	Law Office of Gerard Montrose Attorney at Law	103 Livingston Loop, B-2	Santa Teresa	NM
Morrissey	Kari T.	Morrissey/Lewis,LLC	2501 Rio Grande Blvd. NW Ste. B	Albuquerque	NM
Morrow	Eric	Eric Morrow Law Offices	633 E. Main St. Ste A	Farmington	NM
Murphy	David	Law Office of Mitsunaga & Murphy	1209 Dr. Martin Luther King Jr. NE, A	Albuquerque	NM
Ortega	Peter G.	Peter G. Ortega, Attorney at Law	25 Terry Dr.	Los Lunas	NM
Patterson	Frank	Patterson Law Firm, P.C.	400 E. College Blvd., Ste. A	Roswell	NM
Pennington	Elden A.	Clark and Jones, LLC	1322 Paseo De Peralta	Santa Fe	NM
Perkins	William	Lopez, Dietzel & Perkins, P.C.	P.O. Box 1289	Silver City	NM
Pineda	Pedro	Pedro Pineda Attorney at Law	1690 N. Main	Las Cruces	NM
Porter	Susan M.	Law Office of Susan Porter	908 Lomas Blvd. NW	Albuquerque	NM
Prichard	Troy W.	Troy W. Prichard Law Office	417 Seventh St. NW	Albuquerque	NM
Pugh	Richard B.	Law Offices of Richard Pugh	518 Slate St. NW	Albuquerque	NM
Quail	Tyson	Fortner & Curnutt, LLC	P.O. Box 1960	Farmington	NM
Quintana	Dennis C.	Dennis C. Quintana	P.O. Box 903	Santa Cruz	NM
Rein	Jeff	Jeff Rein, attorney at law	4911 14th St. N.W.	Albuquerque	NM
Rhinehart	Kathleen M.	Law Offices of Kathleen Rhinehart	P.O. Box 27311	Albuquerque	NM
Richards	D. Renae Charney	Richards Chaney Law	8205 Spain Rd., Sre208	Albuquerque	NM
Riley	Katherine Stout	Nance, Pato & Stout, LLC	P.O. Box 772	Socorro	NM
Ripol	Cosme D.	Cosme D. Ripol	201 East Broadway	Farmington	NM
Romero	Chris	Romero Law, LLC	P.O. Box 907	Santa Fe	NM
Ross	Houston		423 6th Street, NW	Albuquerque	NM
Salazar	Daniel		500 Oak Street NE #212	Albuquerque	NM
Sánchez	Joshua J.	Law Office of Joshua J. Sanchez	P.O. Box 1297	Los Lunas	NM
Sanchez	Devonne R.	Law Offices of Devonne R. Sanchez	518 Slate St. NW	Albuquerque	NM
Sanchez-Armijo	Rosa	Rosa Sanchez Armijo, P.C.	P.O. Box 69	Bosque	NM
Seeger	Steven F.	Advocate Law Center P.A.	821 South Ford Dr.	Gallup	NM
Silva	David	Silva & Grano Law, PC	P.O. Box 1303	Las Vegas	NM
Simmons	Nancy	The Law Offices of Nancy L. Simmons	120 Girard SE	Albuquerque	NM
Simmons	Yolanda	Standridge Law Firm	1516 San Pedro Dr. N.E.	Albuquerque	NM
Simon	Ethan	Simon Law, Ltd.	1710 San Patricio SW	Albuquerque	NM
Snowden	William		555 Oppenheimer Drive Suite 103	Los Alamos	NM
Spilca	Nicoleta	The Spilca Group	800 Lomas Blvd. NW, Ste 200	Albuquerque	NM
Stackhouse	James Corey	Stackhouse Attorney at Law	P.O. Box 2269	Farmington	NM
Stevens	Stephen		1300-G El Paseo Rd., #304	Las Cruces	NM

Studebaker	Johnna L.	Johnna L. Studebaker Attorney at Law	P.O. Box 2918	Santa Fe	NM
Sturgess	Chris	The Sturgess Group	P.O. Box 36137	Albuquerque	NM
Tangora	Robert	Robert E. Tangora, LLC	PO Box 32315	Santa Fe	NM
Thomas	Brigitte	Thomas Law	101 S. Orchard Ave., Ste 1	Farmington	NM
Thompson	Roderick	The Thompson Firm	304 Catron St.	Santa Fe	NM
Torraco	Lisa	Torraco Law	1019 2nd Street NW	Albuquerque	NM
Torres	Armando	Torres & Garde	P.O. Box 1420	Los Lunas	NM
Torrez	Mario		616 Tenth St.	Alamogordo	NM
Trammell	Marna	Trammell Law Office	716 Mitchell St.	Clovis	NM
Turner	Adrienne R.	Law Offices of Adrienne R. Turner	P.O. Box 1623	Wellington	CO
Turner	Robert F.	Turner Law Office	P.O. Drawer 1018	Deming	NM
Villanueva	Blas	Villanueva Law Office	1412 Lomas Blvd. NW	Albuquerque	NM
Wade	Richard C.	Advocate Law Center, P.A.	821 Ford Drive	Gallup	NM
Wallace	Cathryn	Lopez, Dietzel & Perkins, P.C.	P.O. Box 1289	Silver City	NM
Weaks	Courtney	Weaks Law, P.C.	908 Lomas Blvd. NW	Albuquerque	NM
Weaks	Jason	Weaks Law, P.C.	908 Lomas Blvd. NW	Albuquerque	NM
Wernersbach	Jennifer J.	Law Offices of Jennifer J. Wernersbach, P.C.	1000 2nd Street NW	Albuquerque	NM
Zimmerman	Joanna B.	Joanna Zimmerman, Attorney LLC	P.O. Box 2644	Ruidoso	NM



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
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**INDEPENDENT AUDITORS' 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**

Independent Auditors' Report

Jorge A. Alvarado, Chief Public Defender
Public Defender Department
and
Honorable Timothy Keller
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, each major fund, the aggregate remaining fund information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund of the State of New Mexico, Public Defender Department (Department) as of and for the year ended June 30, 2015, and have issued our report thereon dated November 17, 2015. We have also audited the budgetary comparison statements for the year ended June 30, 2015, presented as supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2014-001 and 2015-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-002.

The Department's Responses to Findings

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

Purpose of this Report

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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Española, New Mexico
November 17, 2015

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2015**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Requests to Pay Prior-Year Bills	B	2014-001	2014-001
Internal Control over Financial Close and Reporting	B	N/A	2015-001
PERA/RHC Contributions	D	N/A	2015-002
Follow-up on Prior Year Findings:			
Requests to Pay Prior-Year Bills	B	2014-001	2014-001
Overexpended Budget Appropriation Unit	D	2014-002	Resolved

*** Legend for Findings:**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters involving Internal Control Over Financial Reporting
- D. Material Instance of Noncompliance
- E. Immaterial Instance of Noncompliance

2014-001 - Requests to Pay Prior-Year Bills - (Significant Deficiency-Repeated)

Criteria

Section 6-10-4 NMSA, 1978, provides for payment of obligations of prior years from current-year appropriations. Appropriations made for a specific fiscal year may not be used for paying obligations of any prior fiscal year except upon approval of the Department of Finance and Administration (DFA). As a condition to the approval, the DFA shall certify that there existed in the affected state agency's budget at the end of the fiscal year sufficient funds, including uncollected earned revenue, to pay the obligation had the bill been presented prior to the end of that fiscal year.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2015**

2014-001 - Requests to Pay Prior-Year Bills - (Significant Deficiency-Repeated) (cont'd)

Condition

During our audit of payables, we noted that the Public Defender Department (PDD) submitted several (47) requests to pay FY15 bills out of the FY16 budget, amounting to \$21,570, the majority of which (30) are copier company payments. Requests to pay prior-year bills are charged to the next year's budget and results in current-year expenditures that should have been paid against current-year budget. For FY 2014, there were 37 initial requests increased to a total of 40 for a total of \$70,650. Although the total dollar value decreased significantly from 2014 to 2015, the total number of requests increased.

Cause

The Public Defender Department does not have an adequate system to track year-end outstanding bills.

Effect

The bills are recorded as current-year liabilities that do not reduce the current-year reversion and results in a negative unreserved/undesignated fund balance.

Recommendation

We recommend that the PDD continue to refine its system to track all current-year bills, eliminating or minimizing the need to request approval for payment of numerous prior-year bills.

Entity Response and Planned Corrective Actions

"Prior-year issues are complicated for the Law Offices of the Public Defender due to the uncertain nature of both litigation and contract attorney billing during the month of June. Additionally, lack of staff, staff turnover and lack of staff training at the end of June through August hampered the Agency's ability to make timely reoccurring payments. Therefore, to remedy these situations we will institute the following four changes to reduce the number of prior year payments: First, we have contracted with a vendor to build an Access database to house our litigation services contracts and associated requisition requests. This will provide us a tool for electronic tracking of open litigation so that we can identify particular vendors who may owe us a timely invoice for their services. Second, under the CFO's direction, we will reinstitute routine reviews with staff by December 31, 2015, to monitor all recurring invoices to ensure that payments are timely and that invoices are being received timely. Third: reviews will be conducted quarterly for the first three quarters of the Fiscal Year, monthly for the last quarter of the Fiscal Year and weekly reviews will be conducted during the months of June and first two weeks of July. Lastly, we will develop improved communication processes with vendors and were possible, develop automated processes whereas invoices may be retrieved electronically from vendors. These four reforms should largely eliminate "prior year requests to pay."

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2015**

2015-001 - Internal Control over Financial Close and Reporting - (Significant Deficiency)

Criteria

The Department did not have adequate controls in place to exercise effective oversight of the financial closing and reporting process during FY 2015. Financial accounting and reporting functions were not in place during the fiscal year or at year-end closing requiring coordination between the various processes. During our audit, there were a significant number of client identified journal entries and audit adjusting entries, mostly associates with asset, liability and fund balance accounts, required to properly prepare the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Condition

Sections 6-5-1 through 6-5-6, NMSA, 1978 sets requirements for state agencies. Those statutes require state agencies to implement internal accounting controls designed to prevent accounting errors and violations of state rules relating to financial matters. Also, a strong internal control structure is required by 2.20.5.8 C (1) NMAC of the NM Department of Finance and Administration's (DFA) Manual of Accounting Practices (MAP), which includes controls over the control environment, monitoring, communication and risk assessments related to financial reporting and transaction level processes. For the Department's three funds, there were a total of 12 audit adjusting journal entries amounting to \$662,163. Eight were client identified totaling \$502,517 but were not recorded.

Cause

Reconciliations of several accounts were not performed in advance for year-end closing and reporting purposes. The Department's Chief Financial Officer transferred to another state agency just after the end of the fiscal year during the closing and reporting period.

Effect

The Department's personnel and internal control procedures were not effective in identifying and correcting all necessary entries that would have resulted in material misstatement of the financial statements had they not been corrected or adjusted by the auditor.

Recommendation

We recommend that the PDD perform periodic reconciliations of all accounts, especially the balance sheet, to insure effective monitoring of account balances. We further recommend that the Department improve the year-end processes to insure financial reporting objectives are met for audit as required by state law.

Entity Response and Planned Corrective Actions

"As noted by the auditors, our CFO left during the year end closing and reporting period leaving a new accountant to attempt to correct the lack of monthly reconciliations throughout FY15. Monthly reconciliations have been re-instituted and the CFO will ensure that they continue throughout FY16 and that the year-end processes improve for FY16."

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2015**

2015-002 - PERA/RHC Contributions - (Material Noncompliance)

Criteria

Sections 10-11-124(A) and 10-11-126(A), NMSA 1978, provide that an employer affiliated with the Public Employees Retirement Act (PERA) is responsible for timely remitting to PERA both the employer and employee contributions due for each employee and that PERA may assess an interest charge on any remittance not made by its due date. PERA Rule 2 NMAC 80.500, "Remittance of Contributions," further states at paragraph 8.5: "In the event the employer fails to make the necessary deductions, the employer shall be responsible to remit to PERA the total amount due for both the member and employer contributions plus interest."

The PERA further emphasizes that it is the employer's obligation, in the first instance, to remit to PERA both the employer and employee contributions that are overdue and any applicable interest on the contributions. Any claim that the employer has against the employee for the employee share of the contributions is a matter entirely between the employer and the employee and does not involve PERA or affect the employer's obligation to PERA.

All contributions that must be paid by the employer, including the employee share, are due and owing to PERA, regardless of the status of any collection proceedings that the employer has brought or may bring against the employee.

In addition, Section 10-7C-15 C provides that a participating employer that fails to remit before the tenth day after the last day of the month all employer and employee deposits required by the Retiree Health Care Act (RHC) to be remitted by the employer for the month shall pay to the fund, in addition to the deposits, interest on the unpaid amounts at the rate of six percent per year compounded monthly.

Condition

During FY15, the Department did not recognize that six (6) employees were not having PERA and/or RHC deducted from their paychecks. As a result, the Department failed to remit the required PERA and RHC contributions for both employee (\$7,682) and employer (\$14,705) portions on a timely basis.

Cause

The cause was an oversight by the Department Human Resources Division in identifying all required PERA/RHC employee withholdings and employer matching.

Effect

Without correcting adjusting journal entries, receivable, payable and expenditure accounts are understated. Also, until all PERA/RHC liabilities are paid, employees may not receive the service credit to which they are entitled. The Department is responsible for paying both employee and employers portions and amounts not withheld from employees will have to be reimbursed/collected.

Recommendation

We recommend that the Department develop and implement procedures to insure that required employee contributions and employer matching are identified on all eligible employees.

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PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2015**

2015-002 - PERA/RHC Contributions - (Material Noncompliance) (cont'd)

Entity Response and Planned Corrective Actions

“The Human Resources Director will work with the CFO to audit payroll each pay period to look for and correct missing deductions. This process is being implemented immediately.”

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Exit Conference
June 30, 2015**

Financial Statement Presentation

The financial statements and notes to the financial statements were prepared by the independent certified public accountants performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Management has reviewed and approved the financial statements and notes to the financial statements.

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EXIT CONFERENCE

The financial statements and the auditors' reports were discussed at an exit conference held on November 23, 2015 with the following in attendance:

Public Defender Department

Jorge A. Alvarado, Chief Public Defender
Robert Mead, Deputy Chief Public Defender/Acting CFO
Barbara Auten, Human Resources Director
Ronald Herrera, Human Resources Deputy Director
Rhonda Sanchez, Fiscal Director
Chad Johnson, Accountant and Auditor Advanced

Audit Firm

James R. (Jim) Macias, CPA