

Martin Luther King, Jr. Commission

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015



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June 30, 2015

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**Martin Luther King, Jr. Commission
Official Roster
June 30, 2015**

<u>Name</u>	<u>Commission</u>	<u>Title</u>
Bishop Michael Shelby		Chairman
Karen Martinez		Vice Chairwoman
Rev. Landjur Abukusumo		Member
Colonel Raphael Warren		Member
Rev. Garland Moore		Member
Oscar Robinson		Member
Sergeant Major Joseph Davis		Member
Judge Willie Henry		Member
Vacant		Member
Dianna J. Duran		NM Secretary of State
James B. Lewis		NM State Treasurer
Arthur Allison		NM Indian Affairs Dept. Secretary
Jason Dean		NM Human Rights Office Director

Administrative Officials

Kimberly Greene	Executive Director
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Report

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico State Auditor
The Martin Luther King, Jr. Commission
Albuquerque, New Mexico

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the General Fund and the budgetary comparison of the General Fund of the Martin Luther King Jr. Commission (the "Commission"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Commission's financial statements.

Basis for Disclaimer of Opinion

We were unable to ascertain the completeness of the financial statement balances due to unavailability of supporting records at the Commission. This was the result of allegations of fraud and embezzlement as well as change in key management positions. In addition, we were unable to obtain sufficient appropriate audit evidence about completeness of the financial statement balances as of and for the year ended June 30, 2015 by other auditing procedures.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Commission are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Commission. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2015, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Commission's financial statements and the budgetary comparison of the General Fund. The Schedule of Special Appropriations and the Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT) required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule of Special Appropriations is required by 2.2.2 NMAC and 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. We were unable to subject such information to the auditing procedures applied in the audit of the basic financial statements, certain additional procedures, or other additional procedures in accordance with auditing standards generally accepted in the United States of America because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph above. Accordingly, we do not express an opinion on this information.

In addition, the introductory section and the Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT) have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
August 9, 2019

Financial Statements

Martin Luther King, Jr. Commission
Statement of Net Position
June 30, 2015

	Governmental Activities
<hr/>	
Assets	
Current assets	
Investment in State General Fund Investment Pool (SGFIP)	\$ 220,008
<hr/>	
Total current assets	220,008
<hr/>	
Total assets	\$ 220,008
<hr/> <hr/>	
Liabilities	
Current liabilities	
Accounts payable	\$ 14,340
Accrued payroll	4,710
Due to state general fund	220,530
Stale dated warrants	1,702
Compensated absences	10,097
<hr/>	
Total current liabilities	251,379
<hr/>	
Total liabilities	251,379
<hr/>	
Net Postition	
Unrestricted net postition	(31,371)
<hr/>	
Total net postition	(31,371)
<hr/>	
Total liabilities and net postition	\$ 220,008
<hr/> <hr/>	

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

**Martin Luther King, Jr. Commission
Statement of Activities
For the Year Ended June 30, 2015**

	Governmental Activities
<hr/>	
Expenses	
Health and welfare	\$ 362,297
<hr/>	
Total program expenses	362,297
<hr/>	
General revenues	
State general fund appropriation	336,600
<hr/>	
Total general revenues	336,600
<hr/>	
Change in net position	(25,697)
<hr/>	
Net position - beginning of the year	(5,674)
<hr/>	
Net position - end of the year	\$ (31,371)
<hr/> <hr/>	

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

Martin Luther King, Jr. Commission
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund
	06000
Assets	
Investment in State General Fund Investment Pool (SGFIP)	\$ 220,008
Total assets	\$ 220,008
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 14,340
Accrued payroll	4,710
Due to State General Fund	220,530
Stale date warrants	1,702
Total liabilities	241,282
Fund balances	
Unassigned	(21,274)
Total fund balances	(21,274)
Total liabilities and fund balances	\$ 220,008

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

Martin Luther King, Jr. Commission
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2015

Fund Balance - Governmental Funds	\$ (21,274)
Total net position reported for governmental activities in the statement of net position is different because:	
Certain liabilities, including current portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund:	
Compensated absences	(10,097)
Total net position	\$ (31,371)

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

Martin Luther King, Jr. Commission
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	General Fund 06000
<hr/>	
Expenditures	
Health and welfare	
Current	
Personnel services	\$ 181,070
Contractual services	48,050
Other costs	128,754
<hr/>	
Total expenditures	357,874
<hr/>	
Excess (deficiency) of revenues over expenditures	(357,874)
<hr/>	
Other financing sources (uses)	
State general fund appropriation	336,600
<hr/>	
Total other financing sources (uses)	336,600
<hr/>	
Net change in fund balance	(21,274)
<hr/>	
Fund balance - beginning of year	-
<hr/>	
Fund balance - end of year	\$ (21,274)
<hr/> <hr/>	

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

**Martin Luther King, Jr. Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015**

Net change in fund balance - governmental funds \$ (21,274)

The change in net position reported for governmental activities in the statement of activities is different because:

Compensated absences increased by this amount during FY15 (4,423)

Change in net position \$ (25,697)

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

Martin Luther King, Jr. Commission
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (Modified Accrual Basis) and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Personnel services	176,400	166,400	181,070	(14,670)
Contractual services	12,700	48,100	48,050	50
Other costs	147,500	122,100	128,754	(6,654)
Total expenditures	336,600	336,600	357,874	(21,274)
Excess (deficiency) of revenues over expenditures	(336,600)	(336,600)	(357,874)	(21,274)
Other financing sources (uses)				
State general fund appropriation	336,600	336,600	336,600	-
Total other financing sources (uses)	336,600	336,600	336,600	-
Net change in fund balances	\$ -	\$ -	\$ (21,274)	\$ (21,274)

P694 is the only appropriation level code in the fund.

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

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Martin Luther King, Jr. Commission (the "Commission") is presented to assist in the understanding of the Commission's financial statements. The financial statements and notes are the representation of the Commission's management who is responsible for their integrity and objectivity. The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the government. The Governmental Accounting Standards Commission (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting principles are described below.

During fiscal year 2015, the Commission adopted new accounting standards GASB Statement No. 68, 69, and 71.

Reporting Entity

The Commission was established under the Laws of 1991, Chapter 252 and received its first State General Fund appropriation in 1993. Its activities are, as noted in Section 28-19-1 through 28-19-4 NMSA, 1978 Compilation, to develop, promote, coordinate, and review statewide plans and activities for the annual commemoration and celebration of the birthday of Martin Luther King, Jr. in accordance with Section 12-5-2 NMSA, 1978 Compilation. The Commission also takes an active role in promoting Dr. King's principles of nonviolence in the schools. The Commission sponsors "Youth Against Violence Symposiums" in schools and distributes *Dr. King's Infusion Model for Teaching Nonviolent Principles in School*.

The Commission is a department of the primary government, the State of New Mexico. These financial statements present the financial position and changes in financial position of that portion of the governmental activities, each major fund, and aggregate remaining fund information of the State that is attributable to the transactions of the Commission.

Based upon the application of the criteria in GASB Statements No. 14, No. 39, and No. 61, the Commission had no component units as of June 30, 2015.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. There is no effect from interfund activity that needs elimination because the Commission has only one fund. The Commission's governmental activities are supported by general fund appropriations from the State of New Mexico. The Commission has no business-type activities.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt obligations. The Commission's net position amounts are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Commission's general fund appropriations are shown as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Commission did not have any funds classified as proprietary or fiduciary for the year ended June 30, 2015.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission reports the following major governmental fund:

The General Fund is the Commission's operating fund. Its fund number in the Statewide Human Resource Accounting and Management Reporting System (SHARE) is fund 06000. It is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in some other fund. The general fund is a reverting fund.

Assets, Liabilities and Net Position or Fund Balances

Cash and Investments

For the fiscal year ended June 30, 2015, all of the Commission's cash was maintained on deposit with the State Treasurer's General Fund Investment Pool (SGFIP). The State Treasurer has the authority 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 O, NMSA 1978 as amended.

Capital Assets and Depreciation

Capital assets of the Commission include information technology equipment (computers and peripherals, all equipment related to electronic communications and software). The Commission does not have any infrastructure. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Commission does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the Commission's capital assets. Pursuant to Section 12-6-10 NMSA 1978, movable chattels and equipment costing more than \$5,000 are capitalized. Capital assets of the Commission are depreciated using zero salvage value and the straight line method over the following estimated useful lives:

<u>Classification</u>	<u>Depreciable Life</u>
Information technology equipment	5 years

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Fund Balances (Continued)

Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and long-term portion. The current portion is the amount *estimated* to be expended during fiscal year 2015.

Fund Balance Classification Policies and Procedures

In the governmental fund financial statements, fund balances are classified as non-spendable and spendable (restricted, 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. Unassigned fund balances represent the residual amount of fund balance after all classifications described above have been considered.

Spending policy disclosure

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first. The Commission has no authority to establish a minimum fund balance. This is the prerogative of the State Legislature and the Executive (Governor) Branch.

Net Position Classifications

Equity in the statement of net position is displayed in the following three components:

- 1) Net investment in capital assets-This classification includes capital assets, net of accumulated depreciation. The Commission's capital assets are fully depreciated, thus the net investment in capital assets is zero as of June 30, 2015.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Fund Balances (Continued)

- 2) Restricted net position-This classification consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Commission has zero restricted net position amounts through enabling legislation as of June 30, 2015, which pertains to a multi-year appropriation detailed on the Schedule of Special Appropriations.
- 3) Unrestricted net position-This classification consists of all other net position amounts that do not meet the definition of "restricted" or "net investment in capital assets."

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Commission's financial statements include the current portion of compensated absences and useful lives of depreciable assets.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Funding

The Commission's funding is subject to annual evaluation and appropriation and could end at any time.

Budgets and Budgetary Accounting

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

1. No later than September 1st, the Martin Luther King, Jr. Commission submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. Copies are also sent to the Legislative Finance Committee (LFC). The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request is reviewed by the SBD and additional information is obtained, if needed, agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor's approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Commission.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Commission submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the legislature. The DFA Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of the DFA - State Budget Division.
6. Budget control for expenditures and encumbrances is at the appropriation program level. The Commission has only one program. All of the expenditures and encumbrances for that program are accounted for in the Commission's general fund.
7. Formal, budgetary integration is employed as a management control device during the fiscal year for the general fund.
8. The budget for the General Fund is on the modified accrual basis. There were no accounts payable at June 30, 2015 that did not get paid within 31 days after the end of the fiscal year.
9. Any remaining SHARE fund 06000 balance not reserved for unexpended special or capital outlay multiple-year appropriations, must revert to the New Mexico State general fund by September 30th, as required by Section 6-5-10, NMSA 1978.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB Statement No. 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

NOTE 3: INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

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

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 3: INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL (Continued)

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

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

The Commission did not establish procedures to mitigate the risk of misstatement of the Commission's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

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

At June 30, 2015, the Commission had the following in pooled cash (Agency Code 60500; Fund Code 06000):

State General Fund Investment Pool	\$220,008
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Interest Rate Risk: The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

**Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015**

NOTE 4: COMPENSATED ABSENCES

Accrued Annual Leave:

Pursuant to Section 10-9-4(K), NMSA 1978, all three of the Commission’s employees fall under the State’s exempt salary plan policies. The policy states that exempt employees shall be eligible to accrue leave based on cumulative years of service to the State. Cumulative years of service shall mean total years of employment with the State of New Mexico to include any combination of service as an executive exempt employee, a classified employee, a judicial employee or a legislative employee.

Exempt employees shall accrue leave as follows:

Years of Service		Accrual Rate Per Pay Period
At Least	Less Than	(In Hours)
0.0	11.0	4.62
11.0	15.0	5.54
15.0	>	6.15

Employees 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 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 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. The Office has chosen to make such payments annually in January. Additionally, upon retirement, those employees with over 600 hours of accumulated sick leave have the option to convert 400 hours of such leave to cash at one half of their hourly rate. As of June 30, 2015, none of the Commission’s employees had 600 or more hours of sick leave accumulated.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensation time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Exempt employees were precluded from carrying forward any unused compensation time into the next calendar year after December 31, 2003. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 4: COMPENSATED ABSENCES (Continued)

Accrued compensated absences consist of accumulated annual leave, including the related employer's matching FICA and Medicare payroll taxes and retirement contributions, per GASB Statement No. 16.

The changes in liabilities for compensated absences are as follows:

<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>	<u>Due within one Year</u>
\$ 5,674	\$ 6,866	\$ 2,443	\$ 10,097	\$ 10,097

NOTE 5: LEASES

Operating Leases

The Commission is committed under lease for office space through May 31, 2015. This lease is considered for accounting purposes to be an operating lease. Operating leases do not give rise to property rights or lease obligations; therefore, the results of operating leases are not reflected in the Commission's capital assets. Lease expenditures for the year ended June 30, 2015 amounted to \$17,060 under operating leases.

NOTE 6: CAPITAL ASSETS AND DEPRECIATION

The change in the capital assets for the fiscal year ended June 30, 2015 is as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Capital assets being depreciated				
Information Technology Equipment	\$ 16,133	-	-	\$ 16,133
Total capital assets being depreciated	16,133	-	-	16,133
Less accumulated depreciation				
Information Technology Equipment	16,133	-	-	16,133
Total accumulated depreciation	16,133	-	-	16,133
Capital assets being depreciated, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense for the fiscal year ended June 30, 2015 was \$ -0-.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Compliant with the requirements of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

The Commission, 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). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

NOTE 8: POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Commission contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 Commission was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Commission 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 RHCA 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 8: POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Commission 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 the medical plus basic life plan plus 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, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's 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 June 30, 2015, 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, 2013, 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 Commission's contribution to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$2,374, \$1,329, and \$1,292, respectively, which equal the required contributions for each year.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 9: INTERAGENCY TRANSFERS

The Commission received the following inter-agency operating transfers from the New Mexico Department of Finance and Administration (DFA) during the fiscal year ended June 30, 2015.

SHARE Fund	Account	Type of Funds Transferred	Amount
85300	499105	General Fund Appropriation	\$ 336,600
Total			\$ 336,600

NOTE 10: DUE TO STATE GENERAL FUND

The amount due to the State General Fund at June 30, 2015 is made up of the following fiscal year reversions:

Year Ending June 30,	Amount
2004	\$ 6,263
2005	23,970
2006	9,475
2007	24,395
2008	84,858
2009	6,234
2010	51,085
2011	3,864
2012	577
2013	9,544
2014	265
	\$ 220,530

NOTE 11: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

- The Commission had a deficit fund balance in the amount of \$21,274 at year end June 30, 2015.
- The Commission had the following fund with expenditures in excess of the budgeted appropriations for the year ended June 30, 2015.

Major Fund	
General Fund	\$ 21,274

- The Commission did not have any funds in which designated cash appropriations were in excess of available budget.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 12: RISK MANAGEMENT

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

NOTE 13: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is August 9, 2019, which is the date on which the financial statements were issued.

Subsequent to year end but before issuance of the financial statements former employees of the Martin Luther King, Jr. Commission took plea deals related to the charges brought forth in their court proceedings.

In May 2017, the Commission established the Martin Luther King, Jr. Foundation a 501(c)3 corporation to help aid the Foundation in receiving charitable contributions for events, etc.

NOTE 14: SUBSEQUENT PRONOUNCEMENTS

In February 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Commission will implement this standard during the fiscal year ended June 30, 2016.

In June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Commission's financial statements.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 14: SUBSEQUENT PRONOUNCEMENTS (Continued)

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The standard will be implemented during the fiscal year ended June 30, 2018. The Commission is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Commission will implement this standard during the fiscal year ended June 30, 2016. The Commission expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Commission will implement this standard during the fiscal year ended June 30, 2017. The Commission will implement this standard during the fiscal year ended June 30, 2017. The Commission is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 14: SUBSEQUENT PRONOUNCEMENTS (Continued)

In March 2016, GASB Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, 68, and 73*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Commission is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2015

NOTE 14: SUBSEQUENT PRONOUNCEMENTS (Continued)

In April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Commission is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.


In August 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statement No. 14 and No. 61*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Commission is still evaluating how this pronouncement will affect the financial statements.

Supporting Schedules

**Martin Luther King, Jr. Commission
 Schedule of Special Appropriations
 For the Year Ended June 30, 2015**

	Amount Appropriated	Prior Year Expenditures	Current Year Expenditures	Project to Date Expenditures
Laws of 2013 Ch 227 Sec 5	\$ 1,000	\$ 884	\$ -	\$ 884

See independent auditors' report.



Unexpended Portion	Unexpended and Reverted
<u>\$ 116</u>	<u>\$ -</u>

See independent auditors' report.

**Martin Luther King, Jr. Commission
 Schedule of Vendor Information for Purchases
 Exceeding \$60,000 (Excluding GRT)
 For the Year Ended June 30, 2015**

RFB#/ RFP#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract
		Educational Research Evaluation and Development	\$ 67,719.59	

The vendor noted above had total costs in the amount of \$67,719.59; however, it is unknown what the payments related to or if procurement was issued as there was lack of supporting documentation.

See independent auditors' report.



Name and Physical Address of <u>ALL</u> 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)	Description of Work
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See independent auditors' report.

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Compliance Section

**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

Brian S. Colón
New Mexico State Auditor
The Martin Luther King, Jr. Commission
Albuquerque, New Mexico

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund and the budgetary comparison of the General Fund of the Martin Luther King Jr. Commission (the "Commission"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 9, 2019. Our report disclaims an opinion on the financial statements due to not being able to ascertain the completeness of the financial statement balances due to the unavailability of supporting records at the Commission, which was a result of allegations of fraud and embezzlement as well as change in key management positions.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Commission, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as items FS 2014-001 and FS 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items NM 2014-003, NM 2014-004, NM 2014-005, NM 2014-006 and 2015-002.

We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses as items NM 2014-007 and 2015-001.

Commission's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
August 9, 2019

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**Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Disclaimer |
| 2. Internal Control over Financial Reporting | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | Yes |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

FS 2014-001 – Insufficient Supporting Documentation of Financial Statement Transactions (Material Weakness) – Modified and Repeated

Condition: The Commission did not possess adequate supporting documentation in order for the auditors to render an opinion on their financial statements. The only documentation provided was related to expenditures and the following errors were noted.

- For three of three invoices to one vendor (\$9,000), where invoices were present, the invoices were different. For example, the level of detail on services provided was in greater detail on two invoices than the third. In addition, the overall presentation of the invoice presented two different styles.
- For 11 of 89 expenditures reviewed, there was not sufficient documentation to support the amount paid by the Commission.
- For 56 of 89 expenditures reviewed, the invoice was received prior to the issuance of the purchase order.
- For one of 89 expenditures reviewed, the amount paid was \$3,417.32, which agreed to the purchase order; however, the invoice that was included in the supporting documentation was \$4,271.65, which resulted in an underpayment of \$854.33.
- For 12 of 89 expenditures, the address of the vendor on the invoice did not agree to the information on the purchase order. In addition, every month there were multiple transaction for \$1,250 that appeared to be for the same service.
- For seven of 89 expenditures reviewed, there were multiple transactions during one month that varied in amount (\$600 / \$700 / \$1,000 or \$1,400) for the same services.
- For two of 89 expenditures reviewed, an portion of the invoice was charged to the incorrect account code. The account code for \$2,000 in total should have been 547900 miscellaneous expense as the individual was a contractor and not an employee of the Commission. In addition, it is unknown why the Commission was paying for the contractor's training expenses, as the Commission could not furnish a contract.
- For seven of 89 expenditures reviewed, an incorrect account code was utilized. Account code 548700 was utilized, which is for capital asset related items and these expenditures related to ACT/SAT tests for students.
- For eight of 89 expenditures reviewed (\$17,060), there was not enough documentation to support whether the expenditure was allowable. Upon additional research of the invoices, the address appeared to be for a clothing store. In addition, the Commission rents their building from New Mexico Expo as they are located on the fairgrounds property in Albuquerque.

No progress was made during the fiscal year 2015 audit with regards to this finding.

Criteria: The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the Commission to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to render an opinion on the financial statements.

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

FS 2014-001 – Insufficient Supporting Documentation of Financial Statement Transactions (Material Weakness) (Continued) – Modified and Repeated

Effect: The Commission is not adhering to the proper accounting procedures to ensure reliable financial records are generated and maintained that can be utilized for reporting and decision making. The audit includes a disclaimer of opinion, as balances may not be accurate and further noncompliance may exist.

Cause: The Commission experienced significant turnover in key management positions and was under investigation for fraud and embezzlement and; therefore, does not possess adequate financial statement records to substantiate the balances presented on the financial statements.

Auditors' Recommendation: We recommend the Commission implement controls over their financial statement records in order to sufficiently support the balances presented on the financial statements.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

FS 2014-002 Insufficient Supporting Documentation of Control Environment Items Pertaining to Governance and Management (Material Weakness) – Modified and Repeated

Condition: The Commission does not have documented entity-wide internal controls and are unable to provide evidence of adequate design and implementation of controls.

No progress was made during the fiscal year 2015 audit with regards to this finding.

Criteria: The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the Commission to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to determine if the Commission's management and governance performed duties as required..

Effect: The Commission is not able to substantiate that it was performing its duties in relation to promoting a strong control environment and governing.

Cause: The Commission experienced significant turnover in key management positions and was under investigation for fraud and embezzlement and; therefore, does not possess adequate financial statement records to substantiate the balances presented on the financial statements.

Auditors' Recommendation: We recommend that the Commission ensure that an internal control system is in place and adequately documented pertaining to governance and management. Because of the significant turnover in management, a holistic look at the policies of the Commission is necessary.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2014-003 – Late Reversions – (Material Noncompliance) – Modified and Repeated

Condition: The Commission did not remit its FY04 reversion of \$6,263, FY05 reversion of \$23,970, its FY06 reversion of \$9,475, its FY07 reversion of \$24,395, its FY08 reversion of \$84,858, its FY09 reversion of \$6,234, its FY10 reversion of \$51,085, its FY11 reversion of \$3,864, its FY12 reversion of \$577 its FY13 reversion of \$9,544, and its FY14 reversion of \$265 to the State General Fund by the statutory deadline of September 30 of those respective years. The total amount of the reversions for all years is \$220,530.

No progress was made during the fiscal year 2015 audit with regards to this finding.

Criteria: Section 6-6-10, NMSA 1978 requires “all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30, to revert by September 30, to the general fund.” The Commission’s FY04 – FY14 reversion should have been remitted by the due date, September 30, for each respective year.

Effect: When a state agency does not remit reversions to the State General Fund timely, the New Mexico Legislature does not have those funds available to re-appropriate them in the next year’s budget.

Cause: When the State of New Mexico required all of its agencies to convert to the new SHARE accounting system, no one at the Commission knew how to revert the funds. Then the FY06 audit was late and the Commission overlooked processing the reversion. When the Commission tried to process the FY06 reversion they were told to just wait and process it with the FY07 reversion. The FY07 audit was not submitted to the Office of the State Auditor until October 22, 2008, so the Commission did not work on preparing the reversion until December 2008. The FY08 audit was completed on March 27, 2009, so the Commission did not work on preparing the reversions. The Commission has been working with the Department of Finance and Administration on how to revert monies to the State General Fund since the completion of the FY08 audit.

Auditors’ Recommendation: We recommend that the Commission remit reversions annually to the State General Fund per the Department of Finance and Administration (DFA) annual closing instructions.

Agency’s Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2014-004 – Budgetary Controls – (Material Noncompliance) – Modified and Repeated

Condition: The Commission has over expended its budget at the appropriation code level in the following fund:

General Fund – P694	
Personnel Services	\$ 14,670
Other Costs	<u>6,654</u>
Total over expended amount	<u>\$ 21,324</u>

No progress was made during the fiscal year 2015 audit with regards to this finding.

Criteria: New Mexico State Audit Rule 2.2.2.10(O)(1) states if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

Effect: The budget adjustments required at year end were not requested to alleviate budget overruns.

Cause: The Commission did not properly monitor the budget to account for required budget adjustments at year end.

Auditors' Recommendation: We recommend that the Commission monitor its budgets closely and prepare budget adjustments as necessary.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2014-005 –IPA Recommendation Form and Audit Contract/Late Audit – (Material Noncompliance) – Modified and Repeated

Condition: The IPA recommendation form and audit contract were not submitted by the regulatory due date of June 1, 2015. In addition, the Commission did not submit its fiscal year 2015 audit by the regulatory due date of December 15, 2015.

No progress was made during the fiscal year 2015 audit with regards to this finding.

Criteria: New Mexico State Audit Rule 2.2.2.8(G)(6)(c) NMAC requires the IPA recommendation form and the audit contract to be submitted to the New Mexico State Auditor’s Office by June 1, 2015. In addition, New Mexico State Audit Rule 2.2.2.9(A)(1) NMAC required the audit to be submitted to the New Mexico State Auditor’s Office by December 15, 2015. New Mexico State Audit Rule 2.2.2.9(A)(2) NMAC requires an audit finding in the event audit report is not delivered on time to the New Mexico State Auditor’s Office.

Effect: Noncompliance with state audit rule referenced above. The users of the financial statements such as legislators do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state funding.

Cause: Difficulties beyond the Commission’s control encountered with getting the audit contract approved by the New Mexico Department of Finance and Administration and the State Auditor’s Office.

Auditors’ Recommendation: We recommend the Commission work with New Mexico State Auditor’s Office and Department of Finance and Administration to get caught up on prior year audits and work towards submitting in a timely manner in the future.

Agency’s Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2019 audit.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2014-006 – Insufficient Supporting Documentation for Items Required to be Tested by the New Mexico State Audit Rule (Material Noncompliance) – Modified and Repeated

Condition: The Commission is in the process of updating their financial records in accordance with the appropriate New Mexico State Statutes. It cannot be assured the Commission is in compliance with respect to a State Audit Compliance opinion. We noted the following areas in which the Commission is not in accordance with the 2015 State Audit Compliance Rules:

- 2.2.2.10 G (1) cannot issue assurance of compliance with state Procurement Code.
- 2.2.2.10 G (3) cannot issue assurance of compliance with state Personnel Act.
- 2.2.2.10 G (7) cannot issue assurance of compliance with Public Employees Retirement Act.
- 2.2.2.10 G (9) cannot issue assurance of compliance with the proper proceedings of the approval and process over the sale of property.
- 2.2.2.10 G (10) cannot issue assurance of compliance with the state’s Anti-Donation Clause.
- 2.2.2.10 G (11) cannot issue assurance of compliance with Special, Deficiency, and Specific Appropriations laws applicable to the respective Financial Year End (2015).
- 2.2.2.10 G (13) cannot issue assurance of compliance with the state Constitution's, Article IX, Lease Purchase Agreements laws.
- 2.2.2.10 G (14) cannot issue assurance of compliance with 2.20.1.1 to 2.20.1.18 NMAC, standards for the accounting and for the controlling of the fixed assets acquired and owned by state agencies as defined under article 2.
- 2.2.2.10 G (16) cannot issue assurance of compliance with state Constitution's, Article XI, limits on indebtedness.
- 2.2.2.10 G (17) cannot issue assurance of compliance with agency use of Credit Cards per state Laws of 2010.
- 2.2.2.10 G (18) cannot issue assurance of compliance with Retiree Health Care Authority Act, (RHCA).
- 2.2.2.10 T (1) cannot issue assurance of compliance with appropriate written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the active and sent to the State Auditor.
- 2.2.2.10 T (2) (3) cannot issue assurance of compliance of the appropriate proceedings to dispose of computers.

No progress was made during the fiscal year 2015 audit with regards to this finding.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2014-006 – Insufficient Supporting Documentation for Items Required to be Tested by the New Mexico State Audit Rule (Material Noncompliance) (Continued) – Modified and Repeated

Criteria: Appropriate policies and procedure shall be in compliance with the State Issued New Mexico Administrative Code (NMAC). Agreement with the State Audit Compliance procedures are required by the State Auditor and the respective NMAC proceedings.

Effect: Because the Commission has undergone the respective events they are behind on all documentation and appropriate accounting policies and procedures. Current management and staff are not aware of State Audit Compliances that occurred in the respective financial year-end. The commission is now overdue on Financial State Audits as of fiscal year end 2015.

Cause: The Commission has a lack of internal control structure, experienced turnover in key management personnel, provided inadequate supplementation of documentation required by the Audit and was undergoing an investigation for fraud and embezzlement.

Auditors' Recommendation: The Commission should do all it can with an Approved Audit Firm in to catch up missing prior year audits and ensure it is up to date on all financial audits and financial information from 2015 and so on. Management should follow the appropriate recommendations provided by a State Approved Audit Firm and ensure that all staff is well aware and follows State Audit Compliance per NMAC.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

NM 2014-007 – Stale Dated Checks (Other Noncompliance) – Modified and Repeated

Condition: The Commission had stale dated checks in the amount of \$1,702 at June 30, 2015.

No progress was made during the fiscal year 2015 audit with regards to this finding.

Criteria: New Mexico statute 6-10-57, NMSA 1978 defines the procedures around the cancellation of warrants.

Effect: The Commission is not in compliance with New Mexico State Statute.

Cause: The Commission has a lack of internal control structure and experienced turnover in key management personnel.

Auditors' Recommendation: The Commission should remit all stale dated checks in accordance with State Statute.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2015-001 – Travel and Mileage and Per Diem Related Expenditures – (Other Noncompliance)

Condition: The following deficiencies were noted with regards to travel related expenditures.

- For three of 10 expenditures reviewed for non-employee travel, there was not sufficient supporting documentation related to these expenditures, as there was no invoice and/or purchase order present.
- For two of 10 expenditures reviewed for non-employee travel, these invoices indicate they were for an employee(s); however, it was coded to miscellaneous expense.
- For four of 17 expenditures reviewed related to employee travel, there was not sufficient supporting documentation related to these travel expenditures, as there was only a purchase order present.
- For four of 17 expenditures reviewed related to employee travel, employees traveled to the same location and in both instances, they both received mileage and returned the same day based on the travel form.

Criteria: Appropriate policies and procedure shall be in compliance with the State issued New Mexico Administrative Code (NMAC). Agreement with the State Audit Compliance procedures are required by the State Auditor and the respective NMAC proceedings.

Effect: The Commission is not in compliance with the State Audit Compliance procedures and the New Mexico Administrative Code.

Cause: The Commission has a lack of internal control structure, experienced turnover in key management personnel, provided inadequate supplementation of documentation required by the Audit and was undergoing an investigation for fraud and embezzlement.

Auditors' Recommendation: Management should follow the appropriate recommendations provided by a State Approved Audit Firm and ensure that all staff is well aware and follows State Audit Compliance per NMAC.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2015

SECTION III – FINDINGS SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2015-002 – Governmental Conduct Act – (Material Noncompliance)

Condition: Due to the fraud that was committed during fiscal year 2015, Commission employee's violated the Governmental Conduct Act.

Criteria: Section 10-16-3(A) NMSA 1978 requires all governmental employees to treat their government position as a public trust. They shall use their powers and resources of public office to advance the public interest and not to obtain personal benefits or pursue private interests. 10-16-3(B) NMSA 1978 goes on to indicate that employees shall conduct themselves in a manner that justifies the confidence placed in the by the people, at all times maintaining the integrity and discharging ethically the high responsibility of public service.

Effect: The Commission's employees were not in compliance with the governmental conduct act and as such have been sentenced for the misconduct.

Cause: The lack of ethical behavior by Commission employee's, lack of internal controls and oversight at the Commission.

Auditors' Recommendation: All Commission employee's should follow State statutes and not violate laws. In addition, the Commission should put into place internal controls to not allow a similar situation in a future year.

Agency's Response: The Commission agrees with the finding. This occurred under previous management and the current Executive Director has put procedures in place that should resolve this finding during the fiscal year 2017 audit.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

FS 2014-001 – Insufficient Supporting Documentation of Financial Statement Transactions – (Modified and Repeated)

FS 2014-002 – Insufficient Supporting Documentation of Control Environment Items Pertaining to Governance and Management (Modified and Repeated)

NM 2014-003 – Late Reversions (Modified and Repeated)

NM 2014-004 – Budgetary Controls (Modified and Repeated)

NM 2014-005 – Late Audit (Modified and Repeated)

NM 2014-006 – Insufficient Supporting Documentation for Items Required to be Tested by the New Mexico State Audit Rule (Modified and Repeated)

NM 2014-007 – Stale Dated Checks (Modified and Repeated)

**Martin Luther King, Jr. Commission
Other Disclosures
June 30, 2015**

EXIT CONFERENCE

An exit conference was held on March 28, 2019. The following individuals were in attendance:

Representing Martin Luther King, Jr. Commission

Leonard Waites	Executive Director
SGT MAJ (Ret) Joseph K Davis	Vice Chair
Dr. Doris A. Page	Commissioner
Rev. Donald Sawyer, Jr.	Commissioner

Representing Carr, Riggs & Ingram, LLC

Ray C. Roberts, CPA	Partner
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AUDITOR PREPARED FINANCIALS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the Commission from the original books and records provide to them by the management of the Commission. The responsibility for the financial statements remains with the Commission.