

Martin Luther King, Jr. Commission

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016



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Introductory Section



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**Martin Luther King, Jr. Commission
Official Roster
June 30, 2016**

<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, 2016, 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, 2016 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, 2016, 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 Revenues, Expenditures and Changes in Fund Balance Budget to Actual by Appropriation – General Fund and 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 Revenues, Expenditures and Changes in Fund Balance Budget to Actual by Appropriation – General Fund 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 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, 2016

	Governmental Activities
<hr/>	
Assets	
Current assets	
Investment in State General Fund Investment Pool (SGFIP)	\$ 25,397
Due from other state agencies	18,978
<hr/>	
Total current assets	44,375
<hr/>	
Total assets	\$ 44,375
<hr/>	
Liabilities	
Current liabilities	
Accounts payable	\$ 41,596
Due to state general fund	12,588
<hr/>	
Total current liabilities	54,184
<hr/>	
Total liabilities	54,184
<hr/>	
Net Postition	
Unrestricted net postition	(9,809)
<hr/>	
Total net postition	(9,809)
<hr/>	
Total liabilities and net postition	\$ 44,375
<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, 2016**

	Governmental Activities
<hr/>	
Expenses	
Health and welfare	\$ 387,427
<hr/>	
Total program expenses	387,427
<hr/>	
General revenues	
State general fund appropriation	374,000
Transfer in - interagency	74,785
Reversions	(39,796)
<hr/>	
Total general revenues	408,989
<hr/>	
Change in net position	21,562
<hr/>	
Net position - beginning of the year	(31,371)
<hr/>	
Net position - end of the year	\$ (9,809)
<hr/> <hr/>	

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

**Martin Luther King, Jr. Commission
Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund (06000)
Assets	
Investment in State General Fund Investment Pool (SGFIP)	\$ 25,397
Due from other state agencies	18,978
<hr/>	
Total assets	\$ 44,375
<hr/>	
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 41,596
Due to State General Fund	12,588
<hr/>	
Total liabilities	54,184
<hr/>	
Fund balances	
Unassigned	(9,809)
<hr/>	
Total fund balances	(9,809)
<hr/>	
Total liabilities and fund balances	\$ 44,375
<hr/>	

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, 2016**

Fund Balance - Governmental Funds	\$ (9,809)
<hr/>	
Total net position	\$ (9,809)
<hr/> <hr/>	

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, 2016

	General Fund (06000)
Expenditures	
Health and welfare	
Current	
Personnel services	\$ 121,873
Contractual services	20,400
Other costs	255,251
Total expenditures	397,524
Excess (deficiency) of revenues over expenditures	(397,524)
Other financing sources (uses)	
State general fund appropriation	374,000
Transfer in - Interagency	74,785
Reversions	(39,796)
Total other financing sources (uses)	408,989
Net change in fund balance	11,465
Fund balance - beginning of year	(21,274)
Fund balance - end of year	\$ (9,809)

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, 2016

Net change in fund balance - governmental funds	\$	11,465
The change in net position reported for governmental activities in the statement of activities is different because:		
Compensated absences decreased by this amount during FY16		10,097
<hr/>		
Change in net position	\$	21,562
<hr/> <hr/>		

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Personnel services	175,800	128,800	121,873	6,927
Contractual services	12,700	28,700	20,400	8,300
Other costs	147,500	267,768	255,251	12,517
Total expenditures	336,000	425,268	397,524	27,744
Excess (deficiency) of revenues over expenditures	(336,000)	(425,268)	(397,524)	27,744
Other financing sources (uses)				
State general fund appropriation	336,000	374,000	374,000	-
Transfer in - interagency	-	51,268	74,785	23,517
Total other financing sources (uses)	336,000	425,268	448,785	23,517
Net change in fund balances	\$ -	\$ -	\$ 51,261	\$ 51,261
Net change in fund balance (budgetary basis)			\$ 51,261	
Reversion omitted from budget basis			(39,796)	
Net change in fund balance GAAP basis			\$ 11,465	

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

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

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 2016, the Commission adopted new accounting standards GASB Statement No. 72, 76, and 79 none of which had a significant impact on the Commission.

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, 2016.

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, 2016

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, 2016.

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, 2016

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, 2016, 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, 2016

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 2016.

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, 2016.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

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, 2016.
- 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, 2016

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, 2016 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. It includes the reconciliation of the net change in fund balance (per budgetary basis) to the net change in fund balance stated on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE 3: INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

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.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

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

In June 2012 an independent expert diagnostic report revealed that statewide cash balances in the SHARE general ledger accounts had not been reconciled to the State General Fund Investment Pool maintained at the State Treasurer's Office since the implementation of SHARE in July 2006. Since then, State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD), has taken an aggressive action toward appropriate resolution.

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE system configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the state's fiscal agent bank to the SHARE general ledger on a *point-forward basis* beginning February 1, 2013.

On July 11, 2014, DFA/FCD commenced the Historical Cash Reconciliation Project (Phase II) in partnership with Deloitte & Touche, LLP. The scope of this project was July 1, 2006 (SHARE implementation) to January 31, 2013 (the point at which DFA/FCD began reconciling cash activity as noted in the paragraph above). An effort in late 2014 was made to reconcile transactions but was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive, and therefore, do not merit additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress was made in the overall reconciliation process, and the FCD now has an operational model that effectively compares statewide claims against the State General Fund Investment Pool and resources held at the State Treasurer's Office. This process has been operational since March of 2015.

This process has now been reviewed by the independent public auditors performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to the cash reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100 million that had been reserved as a loss contingency.

For 2016, the following assertions are provided:

The calculated difference between resources maintained by the State Treasurer's Office and the agency claims has remained stable and within a narrow and acceptable range (less than \$200 thousand standard deviation) over the last twelve months.

Resources are sufficient to cover claims, and there is no need to adjust any specific business unit claim on the State General Fund Investment Pool.

All claims will be honored at face value.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

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

The District has policies and procedures in place to ensure that the cash balances in SHARE are correct to the extent that the District has controls (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receives and transfers to the state general fund and other state agencies pursuant to the state statute. Daily and monthly reconciliations procedures are in place to review all transactions of the District and to ensure that the information is correct and reported properly within the SHARE system. This reconciliation provides assurance to management that the balance reflected in the State General Fund Investment Pool account is accurate at the end of the reporting period.

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.

At June 30, 2016, the Commission had the following in pooled cash (Agency Code 60500; Fund Code 06000):

State General Fund Investment Pool	\$25,397
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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, 2016.

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.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

NOTE 4: COMPENSATED ABSENCES (Continued)

Exempt employees shall accrue leave as follows:

Years of Service		Accrual Rate
At Least	Less Than	Per Pay Period (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, 2016, 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.

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:

June 30, 2015	Additions	Deletions	June 30, 2016	Due within one Year
\$ 10,097	\$ -	\$ 10,097	\$ -	\$ -

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

NOTE 5: INTERAGENCY ACTIVITY

Due From and Due to Other State Agencies

Due from and due to other state agencies represent interagency receivables and payables arising from interagency transactions.

Receiving Fund Name	Receiving Fund No.	State Agency Due From	Transfer Fund	Amount
General Fund	06000	Department of Finance and Administration	20900	\$ 18,978

Interagency activity is expected to be received within the next year.

Transfers In and Transfers Out

Interagency Transfers as of June 30, 2016, were as follows.

Agency	Fund	Description	Fund	Transfer In/(Out)
34100	20900	SBOF Emergency Grant	06000	\$ 55,808
34100	20900	Emergency BOF grant	06000	18,978

Transfers are expected to be received within the next year.

NOTE 6: CAPITAL ASSETS AND DEPRECIATION

The change in the capital assets for the fiscal year ended June 30, 2016 is as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016
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, 2016 was \$ -0-.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

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 during 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, 2016

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, 2016, 2015, and 2014 were \$1,478, \$2,374, and \$1,329, respectively, which equal the required contributions for each year.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

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, 2016.

SHARE Fund	Account	Type of Funds Transferred	Amount
85300	499105	General Fund Appropriation	\$ 374,000
Total			\$ 374,000

NOTE 10: DUE TO STATE GENERAL FUND

The amount due to the State General Fund at June 30, 2016 is made up of the following fiscal year reversions:

Year Ending June 30,	Amount
2013	\$ 9,544
2014	265
2016	2,779
	\$ 12,588

NOTE 11: REVERSIONS

The Commission had the following reversions recorded during fiscal year 2016.

Year Ending June 30,	Amount
2015 - prior	\$ 37,017
2016	2,779
	\$ 39,796

NOTE 12: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

- The Commission had a deficit fund balance in the General Fund in the amount of \$9,809 at year end June 30, 2016.
- The Commission did not have expenditures in excess of the budgeted appropriations for the year ended June 30, 2016.
- 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, 2016

NOTE 13: 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 14: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, 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 15: SUBSEQUENT PRONOUNCEMENTS

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. 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, 2016

NOTE 15: 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 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 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.

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.

Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2016

NOTE 15: SUBSEQUENT PRONOUNCEMENTS (Continued)

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.

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 Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual by Appropriation
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
P694 - Martin Luther King, Jr. Program				
Revenues				
General fund appropriations	\$ 336,000	\$ 334,000	\$ 334,000	\$ -
Total revenues	336,000	334,000	334,000	-
Expenditures				
Personal services and employee benefits	175,800	128,800	121,873	6,927
Contractual services	12,700	28,700	20,400	8,300
Other costs	147,500	176,500	163,983	12,517
Total expenditures	336,000	334,000	306,256	27,744
Z4000 - L15 C101 S04-06-1-2 NMSA 1978				
Revenues				
Transfer in - interagency	-	51,268	74,785	23,517
Total revenues	-	51,268	74,785	23,517
Expenditures				
Other costs	-	51,268	51,268	-
Total expenditures	-	51,268	51,268	-
ZA0615 - L16 2S C11 S006 I015				
Revenues				
General fund appropriations	-	40,000	40,000	-
Total revenues	-	40,000	40,000	-
Expenditures				
Other costs	-	40,000	40,000	-
Total expenditures	-	40,000	40,000	-

(Continued)

See independent auditors' report.

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
Summary				
Total revenues	\$ 336,000	\$ 425,268	\$ 448,785	\$ 23,517
Total expenditures	336,000	425,268	397,524	27,744
Excess (deficiency) of revenues over expenditures	-	-	51,261	(51,261)
Net change in fund balance (budgetary basis)	-	-	51,261	51,261
Reversion omitted from budget basis	-	-	(39,796)	(39,796)
Net change in fund balance GAAP basis	\$ -	\$ -	\$ 11,465	\$ 11,465

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, 2016**

RFB#/ RFP#	Type of Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract
		Educational Research Evaluation and Development	\$ 65,295	

The vendor noted above had total costs in the amount of \$65,295; 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, 2016, 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 2014-005, NM 2014-006, and NM 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 item 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, 2016**

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 |

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2016

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 four of 144 expenditures reviewed (\$8,530), 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.
- For 12 of 144 expenditures, the incorrect account code was utilized.
- For 52 of 144 expenditures, the purchase order was issued after the date on the invoice.
- For 59 of 144 expenditures, there was not a purchase order in place. It is unknown if a purchase order was necessary.
- For one of 144 expenditures, no documentation was provided related to the expenditure.
- For six of 144 expenditures, no documentation related to an invoice was provided to support the expenditure or amount paid.

No progress was made during the fiscal year 2016 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.

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.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2016

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 2016 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, 2016

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 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 these years is \$9,809.

Significant progress was made with regards to reversions during fiscal year 2016; however, those from fiscal year 2013 and fiscal year 2014 still had not been remitted.

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 FY13 and 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: 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, 2016

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 audit contract was not submitted by the regulatory due date of June 1, 2016. In addition, the Commission did not submit its fiscal year 2016 audit by the regulatory due date of December 1, 2016.

No progress was made during the fiscal year 2016 audit with regards to this finding.

Criteria: New Mexico State Audit Rule 2.2.2.8(J)(11) NMAC requires the audit contract to be submitted to the New Mexico State Auditor’s Office by June 1, 2016. In addition, New Mexico State Audit Rule 2.2.2.9(A)(1)(f) NMAC required the audit to be submitted to the New Mexico State Auditor’s Office by December 1, 2016. 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.

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 2016 State Audit Compliance Rules:

- 2.2.2.10(G)(1) NMAC cannot issue assurance of compliance with state Procurement Code.
- 2.2.2.10(G)(6) NMAC cannot issue assurance of compliance with Public Employees Retirement Act.
- 2.2.2.10(G)(8) NMAC cannot issue assurance of compliance with the proper proceedings of the approval and process over the sale of property.
- 2.2.2.10(G)(9) NMAC cannot issue assurance of compliance with the state's Anti-Donation Clause.
- 2.2.2.10(G)(12) NMAC cannot issue assurance of compliance with the state Constitution's, Article IX, Lease Purchase Agreements laws.
- 2.2.2.10(G)(13) NMAC 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)(15) NMAC cannot issue assurance of compliance with state Constitution's, Article XI, limits on indebtedness.
- 2.2.2.10(G)(16) cannot issue assurance of compliance with agency use of Credit Cards per Laws of 2016.
- 2.2.2.10(G)(17) NMAC cannot issue assurance of compliance with Retiree Health Care Authority Act, (RHCA).
- 2.2.2.10(S)(1) NMAC 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) NMAC cannot issue assurance of compliance with joint power agreements and memorandums of understanding.
- 2.2.2.10(U) NMAC cannot issue assurance of compliance with capital asset inventory.

No progress was made during the fiscal year 2016 audit with regards to this finding.

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 year end 2016.

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 2017 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.

Martin Luther King, Jr. Commission
Schedule of Findings and Responses
June 30, 2016

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 two of 10 expenditures reviewed, the reimbursement was for out-of-state travel at \$115 per night for 10 days; however, the hotel was paid direct by the Commission. Therefore, the employees should not have been receiving full reimbursement, but only reimbursement for the meals incurred.
- For one of 10 expenditures reviewed, the reimbursement packet did not include the "State of NM Itemized Schedule of Travel Expense Form"; therefore, testwork over this reimbursement could not be performed.
- For one of 10 expenditures reviewed, the reimbursement was for a contracted employee for mileage to Grants, NM for a meeting with schools regarding 100 days of nonviolence. In addition, this was coded incorrectly as the individual is not an employee of the Commission, but rather a contractor.

No progress was made during the fiscal year 2016 audit with regards to this finding.

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.

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.

No progress was made during the fiscal year 2016 audit with regards to this finding.

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 (Resolved)

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 (Resolved)

**Martin Luther King, Jr. Commission
Other Disclosures
June 30, 2016**

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.