

# State of New Mexico

## New Mexico Corrections Department



### **Financial Statements and Schedules**

**With**

### **Independent Auditors' Report**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by the New Mexico Corrections Department  
Financial Management Bureau**

**ANNUAL FINANCIAL REPORT  
OF THE NEW MEXICO CORRECTIONS DEPARTMENT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Official Roster	iii
Organizational Chart	iv
List of Abbreviations	v
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	vi-viii
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b> (required supplementary information)	1-10
<b>B. BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund</b>	17
<b>Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Corrections Special Revenue Fund</b>	18
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position – Proprietary Fund	19
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
<b>Agency Fund Financial Statement</b>	
Statement of Fiduciary Assets and Liabilities - Agency Fund	22
<b>Notes to the Financial Statements</b>	23

**C. OTHER SUPPLEMENTAL INFORMATION**

**General Fund**

**Schedule of Revenues & Expenditures – Budget and Actual, By Fund**

General Operating Fund, SHARE System Fund 90700 59

Probation and Parole General Operating Fund, SHARE System Fund 91500 60

**Combining Balance Sheet General Fund Types 61**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund Types 62**

**Schedule of Revenues & Expenditures – Budget and Actual, By Program**

Program Support 63

Inmate Management and Control 64

Special Appropriations – Fund 90700 65

Community Offender Management 66

Community Corrections – Vendor Operated 67

Special Appropriations – Fund 90200 68

Reconciliation – Budgetary Schedules to Financial Statements 69

**Schedule of Special Appropriations 70-71**

**Schedule of Revenues and Expenses, By Enterprise 72-74**

Schedule of Revenues and Expenses, Cleaning Products, by Facility 75

Schedule of Revenues and Expenses, Textiles, by Facility 76

**Schedule of Revenues & Expenses – Budget and Actual  
(GAAP Budgetary Basis) Corrections Industries Division 77**

**Agency Fund**

**Schedule of Changes in Assets and Liabilities 78**

**Schedule of Vendors 79**

**Performance Measures 80-83**

**D. 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 84**

**Summary Schedule of Prior Year Audit Findings 86**

**Schedule of Findings and Responses 87-112**

**Exit Conference 113**

NEW MEXICO CORRECTIONS DEPARTMENT  
OFFICIAL ROSTER  
JUNE 30, 2016

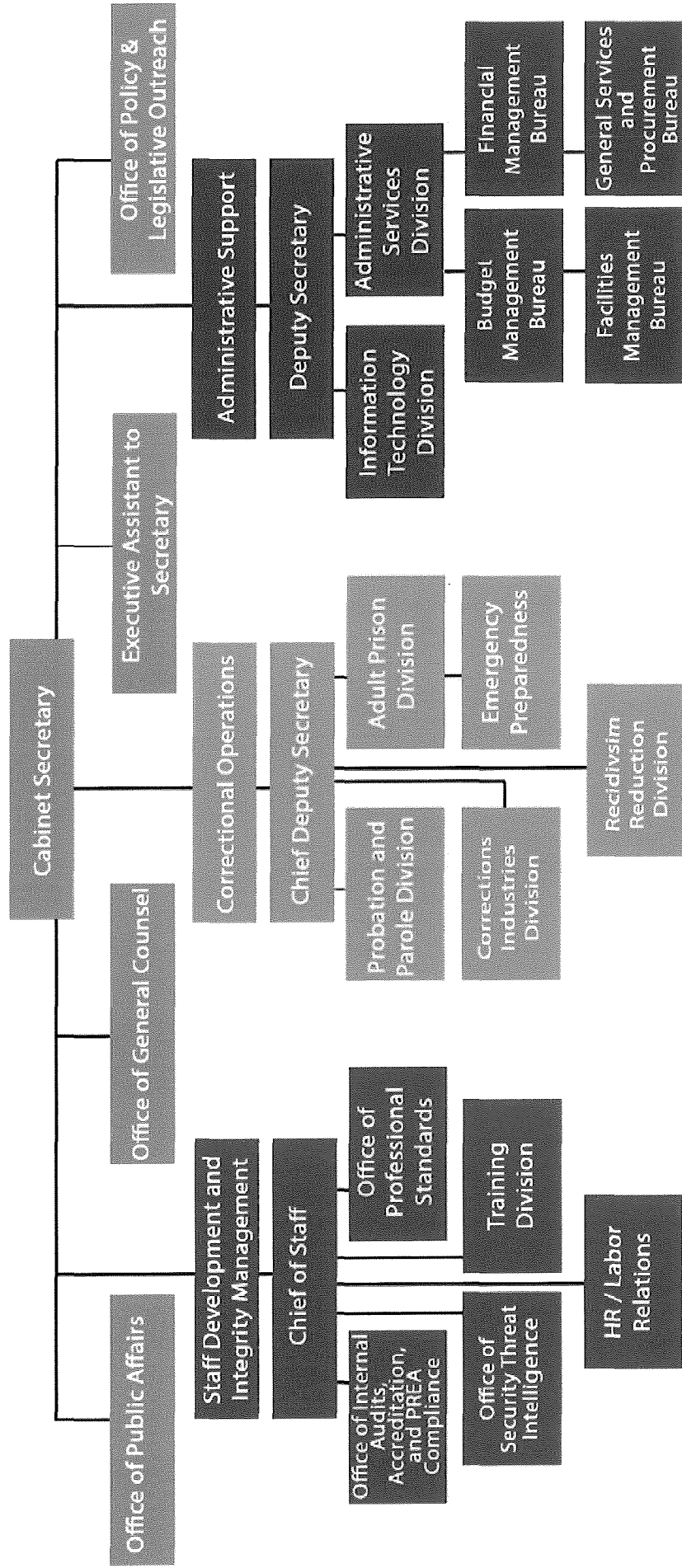
**Administrative Officials**

Gregg Marcantel	Secretary of Corrections
Joe W. Booker, Jr.	Deputy Secretary of Operations
Alex Sanchez	Deputy Secretary of Administration
Mark Myers	Chief of Staff
Paul Montoya	Acting Director of Administrative Services
Jerry Roark	Director of Adult Prisons Division
Anna Martinez	Acting Director of Corrections Industries Division
James Brewster	General Counsel
Tim Oakeley	Director of Information Technology Division
Rose Bobchak	Director of Probation and Parole Division

**Corrections Industries Commission**

John Ian Serrano	Chair
Jay Armijo	Vice Chairman
Nick H. Brown	Member
Harold Foreman	Member
Paul Robert Alexander	Member
Alfred Porter	Member

**NEW MEXICO CORRECTIONS DEPARTMENT  
ORGANIZATIONAL CHART  
JUNE 30, 2016**



**NEW MEXICO CORRECTIONS DEPARTMENT**  
**List of Abbreviations**  
**JUNE 30, 2016**

APD	- Adult Prisons Division
ASD	- Administrative Services Division
CC	- Community Corrections / Vendor Run [Program]
CID	- Corrections Industries Division [Program]
COM	- Community Offender Management [Program]
CNMCF	- Central New Mexico Correctional Facility
CTA	- Corrections Training Academy
DFA	- Department of Finance and Administration
EDB	- Education Bureau
GSD	- General Services Department
HSB	- Health Services Bureau
IMAC	- Inmate Management and Control [Program]
ISP	- Probation and Parole Intensive Supervision [Program]
ITD	- Information Technology Division
NMCD	- New Mexico Corrections Department
PNM	- Penitentiary of New Mexico
PPD	- Probation and Parole Division
PS	- Program Support [Program]
RCC	- Roswell Correctional Center
SCC	- Springer Correctional Center
SHARE	- Statewide Human Resources, Accounting, and Management Reporting System
SNMCF	- Southern New Mexico Correctional Facility
WNMCF	- Western New Mexico Correctional Facility

**Timothy M. Keller**  
State Auditor



**Sanjay Bhakta, CPA, CGFM, CFE, CGMA**  
Deputy State Auditor

**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Mr. David Jablonski, Acting Secretary, Corrections Department  
New Mexico Corrections Department

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of State of New Mexico Corrections Department (Department), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's individual SHARE funds, the fiduciary fund and the budgetary comparison for the enterprise fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each of the individual SHARE funds and the fiduciary fund of the Department as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the enterprise fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The agency fund schedule of changes in assets and liabilities and the other schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The agency fund schedule of changes in assets and liabilities and the other schedules listed as "other supplemental information" are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

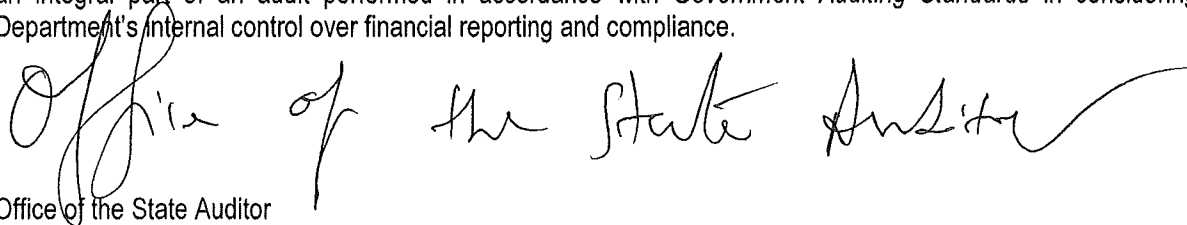


the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the agency fund schedule of changes in assets and liabilities and the other schedules listed as "other supplemental information" are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, performance measure schedule and vendor schedule 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 November 30, 2016 on our consideration of the Department'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A large, stylized handwritten signature in black ink, which appears to read "Office of the State Auditor". The signature is written in a cursive, flowing style with a long horizontal flourish at the end.

Office of the State Auditor  
Santa Fe, New Mexico  
November 30, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The New Mexico Corrections Department's (Department's) Management Discussion and Analysis (MD&A) is designed to (a) focus the reader on the Department's significant financial issues, (b) provide an overview of the Department's financial activities, (c) identify changes in the Department's financial position, including its ability to address challenges in future years, (d) identify any material deviations from the approved budget, and (e) identify issues or concerns with its funds for the current year.

### HIGHLIGHTS AND ACCOMPLISHMENTS

**Financial Highlights.** The Department's net position increase by \$1,194,131 for FY16: governmental net position increased by \$1,631,659 and the business-type net position decreased \$437,529.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2016, the Corrections Industries Division had a decrease in net position of \$437,529. Operating revenues increased by \$326,672 and operating expenses also increased by \$1,017,169 over the prior period. The Corrections Industries Division implemented several new programs in FY 16. These new programs account for the much of the increases in the operating revenues and expenses.

Total costs for all Department Programs were \$325,048,422. This consists of \$316,261,326 for the governmental activities and \$8,787,096 for the enterprise activities.

### **Accomplishments.**

The ASD continues a program for accounting, finance, budget and purchasing staff to provide standardized training to reduce errors and increase efficiency Department-wide. Site visits from ASD staff to the facilities were initiated in FY 2016 to review business processes between the facilities and ASD. Lessons learned from these visits will be utilized to revise current operating procedures to enhance the overall business operations of the Department.

Infrastructure emergencies caused by a growing deferred maintenance need of approximately \$300 million dollars at state-owned facilities continued to be a major problem that the Department is constantly facing. NMCD is addressing this major problem by increasing its maintenance and repairs line item along with enhancing oversight of routine maintenance.

## USING THIS ANNUAL REPORT

This annual report is presented under the Governmental Accounting Standards Board (GASB) pronouncement #34. The primary focus in State government is on both the Department (government-wide) and the major individual funds and the financial statements that comprise them. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Department is one of several agencies within the State of New Mexico Government, the Primary Government focus in this financial report is the Department and not the State of New Mexico as a whole.

The components of presentation include Management's Discussion and Analysis (MD&A), Government-wide financial statements and fund financial statements, and Required Supplementary Information (RSI). These items along with their subcomponents are addressed in the following sections contained within this report.

### **Management's Discussion and Analysis**

The purpose of the MD&A is to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. It provides an analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it addresses analyses of significant changes that have occurred in funds and significant budget variances.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net position and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

The government-wide financial statements of the Department are divided into two categories:

- Governmental Activities – Most of the Department's basic services are included in the governmental activities. State appropriations and federal grants finance most of these activities. The funds included in Governmental Activities for the Department are the General Operating Fund (including Probation and Parole activities and the Building Fund), the Community Corrections Special Revenue Fund, and ARRA Fund.
- Business-type Activities – The Department's Corrections Industries Division charges customers a fee for goods and services. These activities are accounted for as a business-type activity.

### **Fund Financial Statements**

Fund financial statements consist of a series of statements that focus on information about the major governmental and enterprise funds. Fund financial statements also report information about a government's fiduciary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Emphasis on fund financial statements is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. Due to the limited fund structure of the Department, all funds have been classified as Major Funds.

The Department has three types of funds:

- Governmental funds – Most of the Department’s services are included in governmental funds which focus on (a) how cash and other financial assets, that can be readily converted to cash, flow in and out and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department’s programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.
- Proprietary funds – Goods and Services for which the Department’s Corrections Industries Division charges customers a fee are reported as proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term information.
- Fiduciary funds – Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. The fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department’s programs. The Department’s fiduciary fund is the Inmate Trust Account.

#### **Notes to the Financial Statements**

The notes to the financial statements consist of notes that provide additional information that is essential to a user’s understanding of the basic financial statements. The notes to the financial statements can be found starting on page 23.

#### **Infrastructure Assets**

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Department does not own a material interest in any infrastructure assets and therefore is not required to report on this portion of GASB #34.

#### **Budgetary Comparisons**

GASB #34 requires budgetary comparison statements for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented as Required Supplementary Information (RSI). The budgetary comparison statements present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government’s budgetary basis.

These are also required by the Office of the State Auditor under 2.2.2 NMAC, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Corrections Industries Division is required by NMSA 1978 §33-8-6, section O, item #1, to present a detailed financial statement for each enterprise in each facility. This information has been included as a fund financial statement.

**FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE**

**Table A-1**

**The Department's Net Position**

	Governmental Activities		Business-Type Activities		Total *		Total Percentage Change 2015-2016
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	
Current and Other Assets	\$ 47,648,120	\$ 58,632,696	\$ 5,142,608	\$ 5,098,191	\$ 52,790,728	\$ 63,730,887	20.72%
Capital and Non-Current Assets	27,295,579	26,400,446	588,954	860,935	27,884,533	27,261,381	-2.23%
<b>Total Assets</b>	<b>74,943,699</b>	<b>85,033,142</b>	<b>5,731,562</b>	<b>5,959,126</b>	<b>80,675,261</b>	<b>90,992,268</b>	<b>12.79%</b>
Current Liabilities	30,639,400	39,097,183	519,630	1,184,723	31,159,030	40,281,906	29.28%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
<b>Total Liabilities</b>	<b>30,639,400</b>	<b>39,097,183</b>	<b>519,630</b>	<b>1,184,723</b>	<b>31,159,030</b>	<b>40,281,906</b>	<b>29.28%</b>
Net Position							
Investment in Capital Assets	27,295,579	26,400,446	588,954	860,935	27,884,533	27,261,381	-2.23%
Restricted	14,225,958	20,198,780	4,622,977	3,913,468	18,848,935	24,112,248	27.92%
Unrestricted	2,782,762	(663,267)	-	-	2,782,762	(663,267)	-123.83%
<b>Total Net Position</b>	<b>\$ 44,304,299</b>	<b>\$ 45,935,959</b>	<b>\$ 5,211,931</b>	<b>\$ 4,774,403</b>	<b>\$ 49,516,230</b>	<b>\$ 50,710,362</b>	<b>2.41%</b>

\* Inter-fund balances have been eliminated in the total column

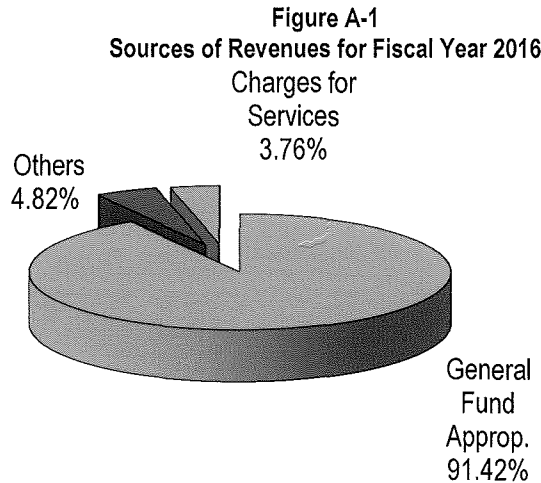
**Net Position:** Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2016. Net position for Governmental Activities and Business-type Activities were \$45,935,959 and \$4,774,403 respectively. Total Department net position for fiscal year 2016 is \$50,710,362. However, most of those assets are either restricted as to the purposes for which they can be utilized or are invested in capital assets (buildings, equipment, etc.) The unrestricted net position in Governmental Activities is (\$663,267) at the end of the fiscal year.

In the Business-type activities, the restricted amount of \$3,913,468 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.

**Table A-2  
Changes in the Department's Net Position**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2015-2016
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 4,353,027	\$ 4,111,109	\$ 7,854,019	\$ 8,180,691	\$ 12,207,046	\$ 12,291,800	0.69%
Operating Grants & Contributions	387,966	345,024	-	-	387,966	345,024	-11.07%
<u>General Revenues</u>							
State General Fund							
Appropriations, net of reversions	289,709,600	300,887,000	-	-	289,709,600	300,887,000	3.86%
Others	17,583,815	12,549,852	151,428	168,877	17,735,243	12,718,729	
Transfers - Internal Activities	-	-	-	-	-	-	0.00%
<b>Total Revenues</b>	<b>312,034,408</b>	<b>317,892,985</b>	<b>8,005,447</b>	<b>8,349,568</b>	<b>320,039,855</b>	<b>326,242,553</b>	<b>1.94%</b>
<b>Expenses</b>							
Public Safety - Corrections	304,656,771	316,261,326	7,769,927	8,787,096	312,426,698	325,048,422	4.04%
Increase (Decrease) in Net Position	7,377,637	1,631,659	235,520	(437,528)	7,613,157	1,194,131	-84.31%
Beginning Net Position	36,926,662	44,304,299	4,976,412	5,211,931	41,903,074	49,516,230	18.17%
Prior Period Adjustment	-	-	-	-	-	-	
Beginning Net Position Restated	36,926,662	44,304,299	4,976,412	5,211,931	41,903,074	49,516,230	
Ending Net Position	\$ 44,304,299	\$ 45,935,958	\$ 5,211,932	\$ 4,774,403	\$ 49,516,231	\$ 50,710,361	2.41%

**Changes in Net Position:** The Department's change in net position for the governmental activities in fiscal year 2016 increased by \$1,631,659. (See Table A-2). A significant portion, 91.42%, of the Department's revenue comes from State General Fund Appropriations, 4.82% comes from charges for services, and 3.76% comes from other revenue sources. (See figure A-1).



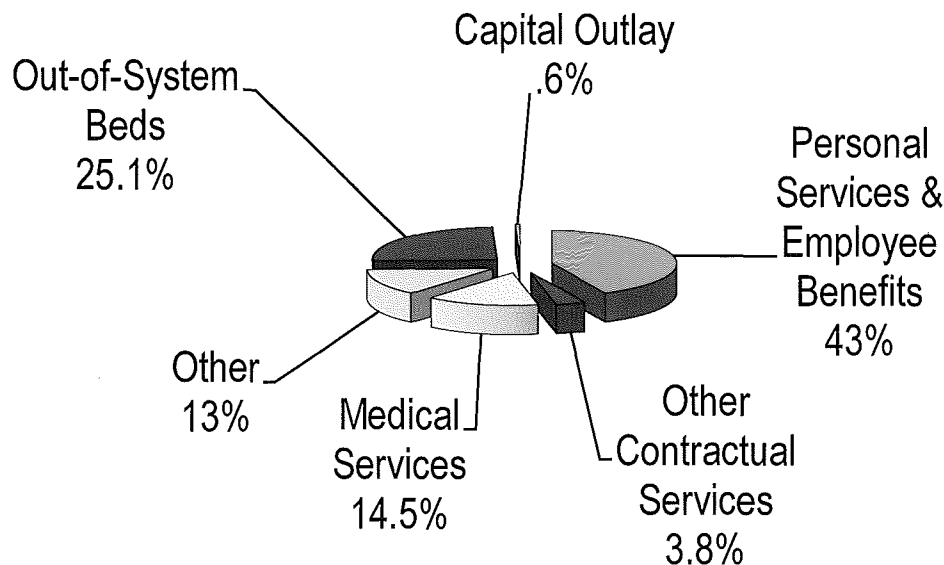
## Functional Expenses for Fiscal Year 2016

### Business-Type Activities

Program revenues of the Department's business-type activity (Corrections Industries) increased from \$7,854,019 to \$8,180,691 and expenses increased by approximately 13.00% percent from \$7,769,927 to \$8,787,096.

### Governmental Funds

Figure A-2



The Department's total expenditures for government-type funds during the fiscal year were \$316.3 million. Approximately half (43%) of the expenditures of the Department are in the area of personal services and employee benefits. Over half (55%) of the total budgeted positions are for Correctional Officers. The Department continues to be aggressive in recruiting correctional officers to fill vacant posts, in order to reduce overtime.

The second largest area of expenditure within the Department is in the category of "Other" costs (38.1%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2016 approximately 25.1% was for the housing male and female inmates in contract prisons, and the remaining 13% was for the other operating costs.

Expenditures in the contractual services category accounted for 18.3% of the Department's expenditures, with approximately 14.5% of these expenditures directly related to medical services for inmates and about 1% are related to other contractual services. Less than one percent of the total expenditures were for capital outlay with the majority of those costs being for machinery and equipment. The governmental activities increase in Public Safety – Corrections expense of \$11,604,555 was due to an increase in inmate costs, population and facility maintenance.

### **Fund Balance**

The Department, in its governmental funds, reported a combined fund balance of approximately \$24.0 million, approximately \$2.7 million greater than last year's amount.

### **General Fund Budgetary Highlights**

The New Mexico State Legislature makes annual appropriations to the Department. Adjustments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration with review by the Legislative Finance Committee.

Supplemental and special appropriations are not reflected in the actual beginning account balances.

Over the course of the year, the Department adjusts its budget as authorized in the Appropriation Act. These budget adjustments fall into three categories:

- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.
- Budget adjustment requests that adhere to required operating budget cuts in compliance with Legislative actions.



### Capital Assets and Debt Administration

At the end of fiscal year 2016, the Department invested a total of \$26.4 million in governmental-type activities and \$.9 million in business-type activities for a total amount of \$27.3 million in a variety of capital assets. This amount represents an overall net decrease (including additions and deletions) of \$.6 million (2.15%) from the prior fiscal year. Accumulated depreciation increased by \$2.3 million (5.64%) over the prior period.

**Table A-3**  
Department's Capital Assets  
Dollars in Millions

	Governmental Activities		Business-type Activities		Total		Total % Change 2015 - 2016
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	
Buildings and Improvements	36.0	36.0	1.0	1.0	37.0	37.0	0.00%
Improvements other than Buildings	3.7	3.7	-	-	3.7	3.7	0.00%
Machinery and Equipment	21.9	22.8	2.2	2.5	24.1	25.3	4.98%
Automotive	2.9	3.3	1.0	1.1	3.9	4.4	12.82%
Depreciation	(37.2)	(39.4)	(3.6)	(3.7)	(40.8)	(43.1)	5.64%
	<u>27.3</u>	<u>26.4</u>	<u>0.6</u>	<u>0.9</u>	<u>27.9</u>	<u>27.3</u>	-2.15%

Additional detailed information about the Department's capital assets is presented in Note 4 to the financial statements.

GASB Statement #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets.

### Short-Term Debt

The Department did not have any short-term debt other than compensated absences associated in fiscal year 2016. More detailed information regarding the Department's short-term debt is presented in Note 10 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The New Mexico Corrections Department (NMCD) FY17 operating budget was increased by 2.9 percent or \$9.3 million to \$327.7 million, from the FY16 appropriated budget. The increase was to support the Department's inmate population growth and medical costs increases and salary increases appropriated by the State legislature. The Department is experiencing increasing inmate population growth and again was under funded in FY16 and FY17. As a result, the Department requested and received a supplemental of \$13.0 million dollars in FY16, primarily in the other costs category to support inmate population growth in our private prisons and increased medical costs.

In fiscal year 2016, the New Mexico prison population increased by approximately 2.4 percent. Per the New Mexico Sentencing Commission, the Department's high population in FY16 was at 7,518 or 2.4 percent increase in population from FY15 high population. The Department experienced a decline in inmate population in fiscal years 2008 through 2009 after a high of 6,887 in fiscal year 2007, however the population growth returned in fiscal year 2010. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will increase in FY17 and is projected to grow at an average rate of 1.6 percent per year from fiscal year 2016 to 2026. With the current rate of growth, the estimates show that New Mexico will have an offender population of 8,457 by the end of fiscal year 2026.

The Corrections Industries Program (CI) had a 13.0 percent increase in actual revenues from FY15 to FY16. CI was able to increase their sales by taking over canteen services for all of the Department's public facilities and the food services for the Penitentiary of New Mexico and for the Training Academy. CI is developing other types of enterprise programs as a means of growing their programs and revenues in the future.

For fiscal year 2016, the Department had an actual general fund base increase of \$4.9 million after a general fund appropriated reduction which only partially covered a portion of inmate population growth and medical costs increase. With this increased expense, the Department continued to maintain strict budget measures and flat contracts (no inflation increases) and in some cases reduced contracts but was still unable to ensure the budget was balanced. The Department would have ended FY16 in a deficit but requested and received a \$13.0 million supplemental primarily in the other cost category to support inmate growth and in contractual cost to cover increased medical costs. The Department also, increased funding in the salaries and employee benefits category to cover a shortage in Program Support.

The Department requested a total budget of \$331.4 million from all funding sources for fiscal year 2017, which is a 3.9 percent increase from FY16 operating budget. The general fund request was \$302.5 million. The request included an increase for inmate growth and increased medical costs. The Department received an operating budget of \$327.7 million which was later reduced in FY17 by \$4.5 million. The Department again did not receive sufficient funding to support inmate growth and did not receive sufficient funding for the mandatory treatment of Hepatitis C and other medical costs. Additionally, advancements in prescription medication for the treatment of Hepatitis C prompted NMCD to begin treatment for infected inmates in FY16. The cost of treatment runs anywhere between \$75 thousand upwards of \$100 thousand per inmate. With the ambiguity of inmate growth and the costs to treat Hepatitis C, NMCD will request supplemental funding again in FY17 and will continue to maintain strict budget measures.

## CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

New Mexico Corrections Department  
Administrative Services Division  
Attn: Blanca Sena, FMB Bureau Chief/CFO  
4337 NM 14  
Post Office Box 27116  
Santa Fe, New Mexico 87502-0116

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

	Governmental Activities (*)	Business-type Activities	Total
<b>ASSETS</b>			
Investments, State Treasurer	\$ 53,376,400	\$ 2,407,513	\$ 55,783,913
Petty Cash	2,075	2,250	4,325
Receivables, net of allowance for doubtful accounts	250,374	1,451,544	1,701,918
Federal Grants Receivable	25,757	-	25,757
Other Receivables	17,488	-	17,488
Due from Other State Agencies	1,189,389	-	1,189,389
Inventories	3,731,325	1,236,318	4,967,643
Prepaid Items	39,887	566	40,453
Total Current Assets	<u>58,632,696</u>	<u>5,098,191</u>	<u>63,730,887</u>
Capital Assets:			
Buildings	35,982,436	1,003,511	36,985,947
Improvements Other than Buildings	3,714,246	-	3,714,246
Machinery and Equipment	22,860,429	2,477,099	25,337,528
Automotive	3,316,074	1,065,464	4,381,538
Less Accumulated Depreciation	<u>(39,472,739)</u>	<u>(3,685,139)</u>	<u>(43,157,878)</u>
Total Capital Assets, net of depreciation	<u>26,400,446</u>	<u>860,935</u>	<u>27,261,381</u>
Total Assets	<u>85,033,142</u>	<u>5,959,126</u>	<u>90,992,268</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,606,082	\$ -	\$ 7,606,082
Vouchers Payable	16,154,951	1,022,858	17,177,809
Payroll Benefits Payable	1,659,401	21,379	1,680,780
Payroll Taxes Payable	500,852	6,933	507,785
Accrued Wages Payable	2,157,991	24,608	2,182,599
Compensated Absences Payable:			
Expected to be paid within one year	4,473,995	80,710	4,554,705
Due to State General Fund	2,742,358	-	2,742,358
Receipts Held in Suspense	20	-	20
Due to Other State Agencies	20,568	-	20,568
Due to Local Governments	3,770,474	-	3,770,474
Unearned Revenue	-	10,000	10,000
Other Liabilities	10,490	18,235	28,725
Total Liabilities	<u>39,097,183</u>	<u>1,184,723</u>	<u>40,281,906</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	26,400,446	860,935	27,261,381
Restricted for:			
Subsequent Years Expenditures	20,198,780	3,913,468	24,112,247
Unrestricted - Deficit	<u>(663,267)</u>	<u>-</u>	<u>(663,267)</u>
Total Net Position	<u>\$ 45,935,959</u>	<u>\$ 4,774,403</u>	<u>\$ 50,710,362</u>

(\*) Inter-fund balances have been eliminated.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
Expenses			
Public Safety - Corrections	\$ (316,261,326)	\$ -	\$ (316,261,326)
Corrections Industries	-	(8,787,096)	(8,787,096)
Program Revenues			
Charges for Services	4,111,109	8,180,691	12,291,800
Operating Grants & Contributions	345,024	-	345,024
Changes in Net Position:			
Net Program (Expense) / Revenue	(311,805,194)	(606,405)	(312,411,599)
General Revenues:			
General Fund Appropriation	300,887,000	-	300,887,000
Inter-Agency Transfer-In	659,375	-	659,375
Inter-Agency Transfer-Out	(150,602)	-	(150,602)
Reversions to the State General Fund	(2,739,815)	-	(2,739,815)
Other Revenue	359,837	6,483	366,320
Unrestricted investment earnings	14,421,058	145,539	14,566,597
Capital Transfer-In	-	16,855	16,855
Total General Revenues and Transfers	313,436,853	168,877	313,605,730
Change in Net Position	1,631,659	(437,528)	1,194,131
Net Position beginning	44,304,299	5,211,931	49,516,230
Net Position - Ending	\$ 45,935,958	\$ 4,774,403	\$ 50,710,362

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	Total
<b>ASSETS</b>			
Investments, State Treasurer	\$ 49,884,426	\$ 3,491,974	\$ 53,376,400
Petty Cash	2,075	-	2,075
Receivables, net			
of allowance for doubtful accounts	250,374	-	250,374
Federal Grants Receivable	25,757	-	25,757
Due from Fiduciary Fund	-	-	-
Other Receivables	17,488	-	17,488
Due from Other State Agencies	1,189,389	-	1,189,389
Due from Other Funds	-	-	-
Due from State General Fund	-	-	-
Inventories	3,731,325	-	3,731,325
Prepaid Items	39,887	-	39,887
	<u>\$ 55,140,722</u>	<u>\$ 3,491,974</u>	<u>\$ 58,632,696</u>
Total Assets			
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 7,602,136	\$ 3,946	\$ 7,606,082
Vouchers Payable	15,106,871	1,048,080	16,154,951
Payroll Benefits Payable	1,650,936	8,465	1,659,401
Payroll Benefits & Taxes Payable	496,509	4,343	500,852
Accrued Wages Payable	2,147,720	10,271	2,157,991
Due to State General Fund	2,740,030	-	2,740,030
State Dated Warrants - Due to SGF	2,328	-	2,328
Receipts Held in Suspense	20	-	20
Due to Other State Agencies	20,568	-	20,568
Due to Local Governments	3,770,474	-	3,770,474
Other Liabilities	10,490	-	10,490
Total Liabilities	<u>33,548,082</u>	<u>1,075,106</u>	<u>34,623,188</u>
<b>Fund Balances:</b>			
Reserved for:			
Nonspendable	3,770,729	-	3,770,729
Restricted	17,781,911	2,416,869	20,198,780
Unassigned	40,000	-	40,000
Total Fund Balance	<u>21,592,639</u>	<u>2,416,869</u>	<u>24,009,508</u>
Total Liabilities and Fund Balance	<u>\$ 55,140,721</u>	<u>\$ 3,491,974</u>	<u>\$ 58,632,696</u>

\* Includes SHARE funds 90700, and 91500.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDING JUNE 30, 2016**

Amounts reported for governmental activities in the statement of net positions are different because:

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)</b>	<b>\$ 24,009,508</b>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Buildings	\$ 35,982,437	
Improvements other than buildings	3,714,246	
Machinery and Equipment	22,860,429	
Automotive	3,316,074	
Accumulated depreciation	<u>(39,472,739)</u>	
Total Capital Assets		26,400,447

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences Payable	<u>(4,473,995)</u>
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Net Position of Governmental Activities (Total Net Position of Governmental Activities)	<u><u>\$ 45,935,959</u></u>
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The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2016**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	Total
<b>Revenues</b>			
Charges for Services	\$ 2,335,440	\$ 40,546	\$ 2,375,986
Intergovernmental	937,124	-	937,124
Institutional Sales	797,999	-	797,999
Investment Earnings	14,421,058	-	14,421,058
Miscellaneous	334,937	24,900	359,837
Federal Grants and Contributions	345,024	-	345,024
Total Revenues	<u>19,171,582</u>	<u>65,446</u>	<u>19,237,028</u>
<b>Expenditures, Current</b>			
Personal Services & Employee Benefits	134,727,445	763,161	135,490,605
Contractual Services	51,518,928	6,204,904	57,723,832
Other	119,843,569	179,258	120,022,826
Expenditures, Capital Outlay	1,975,095	-	1,975,095
Total Expenditures	<u>308,065,036</u>	<u>7,147,322</u>	<u>315,212,359</u>
Excess (deficiency) Revenues over Expenditures	<u>(288,893,455)</u>	<u>(7,081,876)</u>	<u>(295,975,332)</u>
<b>Other Financing Sources (uses)</b>			
State General Fund Appropriations	294,261,901	6,625,099	300,887,000
Inter-Agency Transfers-In	659,375	-	659,375
Inter-Agency Operating Transfers-Out	(150,602)	-	(150,602)
Reversions to State General Fund	(2,739,815)	-	(2,739,815)
Net Other Financing Sources (uses)	<u>292,030,859</u>	<u>6,625,099</u>	<u>298,655,958</u>
Net Change in Fund Balance	3,137,404	(456,777)	2,680,626
Fund Balance, Beginning of Year	<u>18,455,235</u>	<u>2,873,646</u>	<u>21,328,881</u>
Fund Balance, End of Year	<u>\$ 21,592,639</u>	<u>\$ 2,416,869</u>	<u>\$ 24,009,507</u>

\* Includes SHARE fund 89800, 90700, and 91500.

The accompanying notes are an integral part of the financial statements



**NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**Net Change in fund balances - Total Governmental Funds**  
**(Statement of Revenue, Expenditures and Changes in Fund Balance)** \$ 2,680,627

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental funds, however, expenditure for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The decrease (increase) in the liability for the year is:

Compensated Absences (153,834)

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

Capital Outlay	\$ 1,975,094	
Transfers-Out of Capital Assets	(16,858)	
Depreciation Expense	<u>(2,809,141)</u>	
Excess of Depreciation Expense over Capital Outlay		<u>(850,905)</u>

The Statement of Activities reports the loss on the sale of Capital Assets, while the Statement of Revenues, Expenditures and Changes and Changes in Fund Balance reports the proceeds. The reconciling amount is the difference:

(44,229)

**Change in Net Position of Governmental Activities**  
**(Statement of Activities)** \$ 1,631,659

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other State Funds	\$ 15,821,600	\$ 16,200,241	\$ 18,826,558	\$ 2,626,317
Federal Funds	232,700	757,983	345,024	(412,959)
Total Revenues	<u>16,054,300</u>	<u>16,958,224</u>	<u>19,171,582</u>	<u>2,213,358</u>
<b>Expenditures, Current</b>				
Personal Services & Employee Benefits	135,297,200	135,209,885	134,727,445	482,440
Contractual Services	46,943,000	55,687,326	51,518,928	4,168,398
Other	119,111,800	120,679,740	119,843,568	836,172
Expenditures, Capital Outlay	158,200	158,200	1,975,094	(1,816,894) *
Total Expenditures	<u>301,510,200</u>	<u>311,735,151</u>	<u>308,065,036</u>	<u>3,670,115</u>
Excess (deficiency) Revenues over Expenditures	<u>(285,455,900)</u>	<u>(294,776,927)</u>	<u>(288,893,455)</u>	<u>5,883,473</u>
<b>Other Financing Sources (uses)</b>				
State General Fund Appropriation	285,199,800	294,261,901	294,261,901	-
Inter-Agency Transfers-In	256,100	250,000	659,375	409,375
Budgeted Fund Balance	-	299,477	-	(299,477)
Operating Transfers-Out	-	-	(150,602)	150,602
Reversions to State General Fund	-	-	(2,739,815)	(2,739,815)
Net Other Financing Sources (uses)	<u>285,455,900</u>	<u>294,811,378</u>	<u>292,030,859</u>	<u>(2,479,315)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 34,451</u>	<u>\$ 3,137,404</u>	<u>\$ 3,404,158</u>
Fund Balance, Beginning of Year			<u>18,455,235</u>	
Fund Balance, End of Year			<u>\$ 21,592,639</u>	

\* Amounts have been reclassified for financial statement purposes. The budget for capital outlay expenditures is included in the "Other" expenditure category budget.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COMMUNITY CORRECTIONS SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Other State Funds	\$ 34,600	\$ 34,600	\$ 65,446	\$ 30,846
Federal Funds	-	-	-	-
Total Revenues	34,600	34,600	65,446	30,846
Expenditures, Current				
Personal Services & Employee Benefits	876,500	876,500	763,161	113,339
Contractual Services	-	6,185,899	6,204,904	(19,005)
Other	4,192,500	210,000	179,258	30,742
Expenditures, Capital Outlay	-	-	-	-
Total Expenditures	5,069,000	7,272,399	7,147,322	125,077
Excess (deficiency) Revenues over Expenditures	(5,034,400)	(7,237,799)	(7,081,876)	155,923
Other Financing Sources (uses)				
State General Fund Appropriation	4,421,700	6,625,099	6,625,099	-
Transfers-In	-	-	-	-
Budgeted Fund Balance	612,700	612,700	-	(612,700)
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	-	-
Net Other Financing Sources (uses)	5,034,400	7,237,799	6,625,099	(612,700)
Net Change in Fund Balance	\$ -	\$ -	\$ (456,777)	\$ (456,777)
Fund Balance, Beginning of Year			\$ 2,873,646	
Fund Balance, End of Year			\$ 2,416,869	

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

**ASSETS**

Current Assets:	
Investments, State Treasurer	\$ 2,407,513
Petty Cash	2,250
Receivables (net of allowance for doubtful accounts)	1,451,544
Inventories	1,236,318
Prepaid Items	566
Total Current Assets	<u>5,098,191</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	2,477,099
Buildings and Improvements	1,003,511
Automotive	1,065,464
Less Accumulated Depreciation	<u>(3,685,139)</u>
Total Noncurrent Assets	<u>860,935</u>
Total Assets	<u>5,959,126</u>

**LIABILITIES**

Current Liabilities:	
Vouchers Payable	1,022,858
Accrued Wages Payable	24,608
Payroll Benefits Payable	21,379
Payroll Taxes & Benefits Payable	6,933
Compensated Absences Payable	80,710
Unearned Revenue	10,000
Other Liabilities	18,235
Total Liabilities	<u>1,184,723</u>

**NET POSITION**

Net Investment in Capital Assets	860,935
Restricted Net Position - BTA	<u>3,913,468</u>
Total Net Position	<u>\$ 4,774,403</u>

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016

<b>OPERATING REVENUES</b>	
Sales	\$8,180,691
 <b>OPERATING EXPENSES</b>	
Cost of Goods Sold:	
Cost of Materials Used	5,953,688
Direct Labor (inmate payroll)	216,750
Manufacturing and Administrative Overhead	2,488,871
Change in Work in Process and Finished Goods Inventory, Net	13,280
Depreciation Expense	114,507
Total Operating Expenses	8,787,096
 <b>OPERATING INCOME (LOSS)</b>	 (606,405)
 <b>Nonoperating revenue (expense):</b>	
Interest on Deposits with State Treasurer	6,483
Miscellaneous Income	145,539
General Fund Subsidy	16,855
Total nonoperating revenue / (expense)	168,877
<b>CHANGE IN NET POSITION</b>	(437,528)
 <b>Total Net Position, Beginning of Year</b>	 5,211,931
 <b>Total Net Position, End of Year</b>	 \$4,774,403

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 7,597,095
Cash Payments to Suppliers for Goods and Services	(6,280,291)
Cash Payments to Employees for Services	(1,518,824)
Cash Payments to Inmates for Services	<u>(216,750)</u>
Net Cash Provided by for Operating Activities	(418,770)
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(369,633)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(369,633)</u>
Cash Flows from Investing Activities:	
Interest Income	6,483
Miscellaneous Income	<u>145,539</u>
Net Cash Provided by Investing Activities	<u>152,022</u>
Net Increase (Decrease) in Agency Interest in SGFIP	(636,381)
Investments, State Treasurer at Beginning of Year (including petty cash)	<u>3,046,144</u>
Investments, State Treasurer at End of Year (including petty cash)	<u>\$ 2,409,763</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (606,405)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	114,507
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(583,813)
(Increase) Decrease in Prepaid Expenses	508
(Increase) Decrease in Interest Receivable	218
(Increase) Decrease in Inventory	(8,877)
Increase (Decrease) in Allowance for Uncollectible Receivables	-
Increase (Decrease) in Accounts Payable	619,611
Increase (Decrease) in Compensated Absences Payable	16,081
Increase (Decrease) in Accrued Wages Payable	4,706
Increase (Decrease) in Payroll Taxes & Benefits Payable	7,709
Increase (Decrease) in Other Liabilities	<u>16,985</u>
Total Adjustments and Changes	187,635
Net Cash Provided (Used) by Operating Activities	<u>\$ (418,770)</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**AS OF JUNE 30, 2016**

	Inmate Trust Account
<b>ASSETS</b>	
Cash	\$ 2,144,688
Due from Others	412,466
	\$ 2,557,154
<b>LIABILITIES</b>	
Due to Others	\$ 606,475
Deposits Held for Others	1,950,679
	\$ 2,557,154

\* Please refer to Schedule of Changes in Assets and Liabilities on page 78 for detail information.

NEW MEXICO CORRECTIONS DEPARTMENT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDING JUNE 30, 2016

TABLE OF CONTENTS

NOTE 1:	HISTORY, OATH AND ORGANIZATION .....	24
NOTE 2:	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	26
NOTE 3:	CASH .....	38
NOTE 4:	CAPITAL ASSETS .....	41
NOTE 5:	RETIREMENT PLANS (STATE PERA & ERB) .....	42
NOTE 6:	RETIREE HEALTH CARE.....	42
NOTE 7:	FUNDS HELD IN TRUST BY OTHERS .....	43
NOTE 8:	CONCENTRATIONS AND INTERFUND TRANSACTIONS .....	43
NOTE 9:	OPERATING LEASES .....	44
NOTE 10:	CHANGES IN SHORT-TERM LIABILITIES .....	45
NOTE 11:	CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS) .....	45
NOTE 12:	OTHER FINANCING SOURCES AND OPERATING TRANSFERS.....	46
NOTE 13:	FUND BALANCE.....	47
NOTE 14:	JPA AND MOU DISCLOSURE .....	48
NOTE 15:	SHARE CASH BALANCES .....	58
NOTE 16:	SUBSEQUENT EVENTS.....	58
NOTE 17:	RELATED PARTY.....	58
NOTE 18:	SUBSEQUENT PRONOUNCEMENTS .....	58



## **NOTE 1: HISTORY, OATH AND ORGANIZATION**

The New Mexico Corrections Department (the Department), a cabinet level department, was created by an act of the legislature of New Mexico in 1978. §9-3-2 NMSA 1978, states that "The purpose of the Corrections Department Act... is to create a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the corrections and criminal rehabilitation department and to ensure a comprehensive criminal justice system in New Mexico".

The Oath of the Department is "We commit to the safety and well-being of the people of New Mexico by doing the right thing, always". To perform this oath, the following departmental organization has been established in part by Chapters 9 and 33, NMSA 1978:

### **Office of the Secretary**

The Secretary is empowered to organize the Department and its divisions and may transfer or merge functions between divisions in the interest of efficiency and economy. The Administrative Services Division provides overall support.

### **Adult Prisons Division**

The Director of the Adult Prisons Division reports to the Deputy Secretary of Operations. The Adult Prisons Division is the largest division within the New Mexico Corrections Department, incarcerating approximately 6,800 inmates in six state-owned and operated prisons and five privately operated facilities. Ten of the eleven facilities house male inmates. All female offenders are housed in one facility. The Adult Prisons Division oversees the Health Services Bureau, which includes medical and mental health. The Classification Bureau, Records Bureau, Security Threat Intelligence Unit and Emergency Preparedness are also part of the division.

### **Administrative Services Division**

The Director of the Administrative Services Division is responsible to the Deputy Secretary of Administration and in its commitment to the safety and well-being of the people of New Mexico, by doing the right thing always, provides agency divisions and programs with direction, support, guidance and oversight over all fiscal, human resource and property management activities. Bureaus within the Division ensure an internal control structure exist to enable compliance with statutory, regulatory and departmental administrative requirements while identifying opportunities to more efficiently and effectively operate the department. Administrative services are offered through Budget, Financial Management, Human Resource, Internal Audit and Compliance, and Property Management. Staff in each Bureau is in the forefront of efforts to promote accountability and transparency in state government by providing quality service. They serve as the central point of contact with external agencies.

### **Information Technology Division**

The Chief Information Officer of the Information Technology Division is responsible to the Deputy Secretary of Administration for providing the highest quality technology-based tools and services to create and maintain strong information technology systems to support agency staff and promote agency efficiency and accountability. ITD is divided into five sections - Infrastructure, Applications, Project Management, Business Analysis and Database. This structure supports the alignment of Information Technology with the goals of the business.

### **Office of the General Counsel**

The General Counsel of the Office of the General Counsel is responsible to the Secretary of the Department and is responsible for managing all legal affairs for the New Mexico Corrections Department. There are five attorneys and a general counsel in the division. There are also paralegals who work with the attorneys at large and handle administrative duties as well.

The Division also manages litigation, conducts training, reviews policies, contracts and legislation and serves as a liaison to external legal organizations. Representation involves advising institutions and probation/parole officers in various areas of the law, and defending the Department in pro se inmate civil law cases and employment matters.

The office includes the EEO Officer investigates matters involving employment discrimination, sexual harassment/discrimination and various types of other work related complaints, and provides training on employment discrimination and other related topics.

The office of Professional Standards (OPS) conducts administrative investigations throughout the state and review allegations of staff misconduct. The office is part of the office of the Secretary.

#### **Office of Recidivism Reduction**

The Director is responsible to the Deputy Secretary of Operations to reduce the potential for reincarceration by providing prisoners in state custody, and former prisoners on probation or parole, with the comprehensive programming and support services necessary to prepare for, and maintain, successful community reentry and reintegration.

#### **Probation and Parole Division**

The Director of the Probation and Parole Division is responsible to the Deputy Secretary of Operations "to provide for public safety through a balance of supervision, enforcement and the provision of program services to increase the probability of offenders becoming law-abiding citizens." To accomplish this mission Probation/Parole's mindset requires a dual perspective: the responsibility to enforce the conditions of probation and parole and to provide services to assist the offender's rehabilitation and reentry into the community.

#### **Training Academy Division**

The Director of the Training Academy Division reports to the Deputy Secretary of Administration to prepare effective correctional officers, probation and parole officers and staff and develop strong, effective leaders through continual review, revision and adaptation of existing curriculum and the development of new training that addresses current issues and needs

#### **Corrections Industries Division**

The Director of the Corrections Industries Division is responsible to the Deputy Secretary of Administration to enhance the rehabilitation, education and vocational skills of inmates through productive involvement in enterprises and public works of benefit to state agencies and local public bodies and to minimize inmate idleness. CID is administered without appropriated funds and is self-supporting. The Division is financed through a revolving fund, from which all operating expenses are paid. As the manufacturing and services arm of the Corrections Department, the Division employs 39 staff and supervisory personnel to manage an average of 375 inmates in 13 programs at eight different facilities around the state.

#### **Corrections Industries Commission**

The Corrections Industries Commission is responsible for advising the Secretary of the Department and establishing policy within the Corrections Industries Division. The Commission consists of seven members appointed by the Governor. Terms are generally for four years with one or two members being replaced each year.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements for the New Mexico Corrections Department (the Department) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

The Department complies with GASB #34 and as part of this Statement, there is a reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Department does not own any infrastructure assets and therefore is unaffected by this requirement.

The Department has since implemented the provisions of GASB #37 and GASB #38 effective July 1, 2000 and GASB #51 effective July 1, 2009.

The Department also implemented the provisions of GASB #54 effective July 1, 2010. In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See page 37, item 12 and Note 13 on page 48 for additional information about fund balances.

### **A. FINANCIAL REPORTING ENTITY**

The chief executive of the Department is the Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's Cabinet. The Department is a component unit of the executive branch and these financial statements include all funds, account groups and activities over which the Department Secretary has oversight responsibility.

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Even though the Governor appoints the Secretary, that person has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In accordance with the criteria set forth in GASB # 61 for determining component units, the Department does not have component units.

### **B. BASIC FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The reporting model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column using the economic resources measurement focus and the accrual basis of accounting and incorporates long-term assets and receivables as well as long-term debt and obligations. Additionally internal activity has been eliminated at this level of presentation.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Department includes only one function (public safety and corrections).

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

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

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. Due to the limited fund structure of the Department, all funds have been classified as Major Funds.

Totals on the business-type activities fund statements match the business type activities column presented in the government wide statements, since there are no reconciling items.

The governmental fund statements are presented on the current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the governmental-wide presentation.

The Department's fiduciary fund (agency fund) is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (inmates entrusted to the Department) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

### **C. BASIS OF PRESENTATION**

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

The reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Department, all funds have been classified as major funds.

The Department uses the following fund types:

#### **Governmental Fund Types**

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

#### **General Fund:**

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund sources are comprised of SHARE System Fund 89800 - Building Fund, SHARE System Fund 90700 – General Operating Fund, and SHARE System Fund 91500 – Probation & Parole Fund.

General Fund revenues are both earned and appropriated. Sources of non-reverting revenue included in the General Fund are from:

Permanent Fund Income and Land Income (§19-1-17) to which the Department is a beneficiary.

Probation and Parole Fees (§31-20-6 NMSA 1978 and §31-21-13.1 NMSA 1978).

### **Special Revenue Fund**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is the Community Corrections Grant Fund, SHARE System fund number 90200.

Statutory Creation: §33-9-3 NMSA 1978 "There is created in the state treasury a special fund to be known as the "community corrections grant fund."

Use of Funds: §33-9-3 NMSA 1978 "The fund shall be for the purpose of providing programs and services for the diversion of criminal offenders to community-based settings."

Reverting Status: §33-9-3 NMSA 1978 "All money appropriated to the fund or accruing to it as a result of gift, deposit, investments or other sources shall not be transferred to another fund or encumbered or disbursed in any manner except as provided in the Adult Community Corrections Act."

### **Proprietary Fund Types**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

### **Enterprise Fund**

Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs. The Corrections Industries Revolving Fund (SHARE System fund 07700) represents the Department's only business-type activity and is included as a major fund.

Statutory Creation: § 33-8-7 NMSA 1978 "There is created in the state treasury a fund which shall be administered by the department secretary as directed by the commission and which shall be known as the "corrections industries revolving fund."

Revenues: § 33-8-7 NMSA 1978 "All income, receipts and earnings from the operation of enterprises shall be credited to the fund." "All interest earned on money in the fund shall be credited to the fund."

Use of Fund: § 33-8-7 NMSA 1978 "Money deposited in the fund shall be used only to meet necessary expenses incurred in the maintenance, operation and expansion of existing enterprises and in the establishment, maintenance, operation and expansion of new enterprises."

Reverting Status: § 33-8-7 NMSA 1978 "No part of the fund shall revert at the end of any fiscal year."

### **Fiduciary Fund Types**

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds.

### **Agency Fund**

Agency funds are used to account for assets held by the Department in the capacity of trustee or agent. The agency fund (SHARE System fund 55700) is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Positions.

### **D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

#### **Accrual**

The enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department considers funds available if received within "60 days" after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, *Accounting and Financial Reporting for Nonexchange Transactions* the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

#### **Operating Revenues**

For the purposes of the enterprise funds, operating revenues, include sales income from business operations. All other revenue is considered non-operating.

### **E. BUDGETS AND BUDGETARY ACCOUNTING**

The New Mexico State Legislature makes annual appropriations to the Department, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed the legal level of budgetary control. "Per Section 9 of the General Appropriation Act of 2012, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other. Therefore, the legal level of budgetary control would be the appropriation program level (A-Code, P-Code, R-code, and Z-Code). The A-Code pertains to capital outlay appropriations (general obligation/severance tax or state general fund). The P-Code pertains to operating funds. The R-Code pertains to American Recovery & Reinvestment Act (ARRA) funds. The Z-Code pertains to special appropriations." The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. As per the General Appropriation Act, Laws of 2012, Chapter 19, Section 3, Item M, "for the purpose of administering the General Appropriation Act of 2010 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get accrued by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely or accrued by the statutory deadline must be paid out of the next year's budget."

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

The budgetary basis differs from the basis of accounting required by Generally Accepted Accounting Principles (GAAP). Significant differences between the budgetary basis and GAAP include the following:

1. The budget includes encumbrances (obligations for unperformed contracts for goods or services). GAAP does not include encumbrances, for multi-year appropriations only.
2. The budget statements are presented on modified accrual basis.

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The Budget Division of DFA reviews and approves the operating budget, which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General, Special Revenue, Capital Projects and Enterprise Funds.

## **F. ENCUMBRANCES**

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end. In cases where the appropriations do not lapse at year-end, the encumbrances outstanding are re-encumbered for the same amount outstanding at year-end and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The Department does not have appropriations, which are multiple year appropriations that do not lapse at year-end.

## **G. ASSETS, LIABILITIES AND FUND BALANCE**

### **1. Deposits and Investments**

At year end, the carrying amount of the Department's deposits was \$2,144,688 and the bank balance was \$2,291,484. The difference represents outstanding checks, deposits, and other reconciling items. In addition, there was \$4,325 of petty cash.

The Department has defined Investments as Interest in the State General Fund Investment Pool (ISGFIP) with the New Mexico State Treasurer's Office (STO). State law requires the Department's cash investments to be managed by

the STO. The investments will include cash on deposit with the State Treasurer's Office, cash on hand, investment pools, and demand deposits. Other types of investments that the STO may make with state funds are statutorily defined: U.S. Government and Agency obligations, commercial paper, corporate bonds, money market mutual funds, certificates of deposit, overnight repurchase agreements, and asset-backed obligations. For purposes of cash flows, Corrections Industries considers all highly liquid investments, which are on deposit with the State Treasurer in interest bearing accounts to be cash or cash equivalents. GASB 40 disclosure related to the above items held within the New Mexico State Treasurer's Office, the reader should refer to separate audited financial statements prepared by the STO which will disclose the categories of risk involved.

The fair value of the investments maintained at the New Mexico State Treasurer's Office is as follows at June 30, 2016.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value *</u>
New Mexico State Treasurer's Office:		
General Fund Investment Pool	1 day to 3 years	\$ 55,783,913
Total Investments or Cash Equivalents		<u>\$ 55,783,913</u>

\* Refer to Note 3 to see individual fund detail regarding holdings held at the New Mexico State Treasurer's Office.

**Interest Rate Risk:** The Department does not have an investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The New Mexico State Treasurer's Office does have an investment policy that limits investments maturities to five years and less on allowable investments. This policy is 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:** The New Mexico State Treasurer's Office pool is not rated.

## 2. Accounts Receivable:

Accounts receivable are recorded in the General and Enterprise funds. Where appropriate, an associated allowance for doubtful accounts has been established. Enterprise fund receivables originate from the operations of Corrections Industries related to the sales of goods and services. General Fund receivables include amounts receivable from other state agencies and local governments relating to various joint powers agreements (JPA) for inmate work crews and billings for reimbursement of costs associated with housing county inmates in Department operated facilities.

The Department complies with Article IV, Section 32 of the New Mexico Constitution as it pertains to the remission or forgiveness of debts due to the state or to municipalities. The Department continues to track and communicate with vendors that are listed within its' outstanding accounts receivable listing to recover outstanding balances still owed to the Department. The Department has a receivable in the amount of \$572,514 owed from Corizon which is not considered collectible. The allowance amounts for the General and Enterprise funds at June 30, 2016 are \$691,337 and \$254,048, respectively. In fiscal year 2016, the amount of allowance for financial statement purposes is listed below.

Accounts Receivable consists of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts Receivable	\$ 941,712	\$ 1,705,592	\$ 2,647,304
Less: Allowance for doubtful accounts	<u>(691,337)</u>	<u>(254,048)</u>	<u>(945,385)</u>
Net Accounts Receivable	<u>\$ 250,374</u>	<u>\$ 1,451,544</u>	<u>\$ 1,701,919</u>



**3. Federal Grants Receivable:**

Various reimbursement procedures are used for federal awards received by the Department. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent amounts expended during the fiscal year that are related to a federal grant, however the reimbursement for the expenditure was not received prior to the end of the fiscal year.

**4. Due to / Due from Other State Agencies**

These amounts represent receivables and payables arising from transactions between the Department and other State agencies. Balances in these accounts relate to (1) joint powers agreements (JPA) between the Department and various other State agencies to provide inmate work crews, (2) goods and services provided to the Department by other State agencies, and (3) other items required to be accrued from other agencies per GAAP.

Inter-agency receivables and payables as of June 30, 2016 consist of the following:

**Interagency Receivables**

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due From Other Agencies</u>	<u>Due From SHARE Agency Number</u>	<u>Due From SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	\$ 1,189,389	33700	60100	1,039,348
			34100	76100	64,515
			79000	12802	5,986
			80500	20100	23,644
			52100	19900	82
			52100	21300	17,941
			52100	95300	1,669
			52100	95600	4,084
			95000	12150	32,120
Totals		<u>\$ 1,189,389</u>			<u>1,189,389</u>

**Interagency Payables**

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due to Other Agencies</u>	<u>Due to SHARE Agency Number</u>	<u>Due to SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	\$ 211	33300	82800	\$ 211
General Fund	91500	20,357	63000	05200	20,357
General Fund	90700	2,668,575	34100	85300	2,668,575
General Fund	91500	73,783	34100	85300	73,783
Totals		<u>\$ 2,762,926</u>			<u>\$ 2,762,926</u>

## 5. Inventories

Supplies inventory are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories held by the General fund, in the amount of \$3,731,325 consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued using the average cost method. A portion of the amount reported in non-spendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

Enterprise fund inventories consist primarily of furniture, textiles, and other items held for resale. Inventories are valued at estimated cost, using the first-in, first-out method, which does not exceed net realizable value.

Components of the Corrections Industries (enterprise fund) inventories are as follows:

Raw Materials	\$	349,104
Work in Process		101,435
Finished Goods		<u>785,779</u>
Total Inventory	\$	<u>1,236,318</u>

## 6. Prepaid Items

These amounts represent prepayment of postage and fuel, which has benefit to the Department beyond the fiscal year, ending June 30, 2016. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used. A portion of the amount reported in non-spendable fund balance represents prepaid items.

## 7. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Pursuant to §12-6-10 NMSA 1978, (effective June 17, 2005), the State's capitalization policy threshold was changed from \$1,000 to \$5,000 requiring agencies to capitalize only acquisitions greater than \$5,000. Assets purchased prior to the new capitalization threshold were not removed from the agency's listing but will remain on the inventory list and will continue to be depreciated until the asset is fully depreciated.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department utilizes IRS Publication 946 to estimate the useful lives on capital assets as follows:

Building and Improvements – 40 years
Improvements other than Buildings – 20 years
Machinery and Equipment
Other Personal Property – 12 years
Software – 3 to 7 years
Furniture and Fixtures – 10 years
Automotive – 5 years

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets.

Construction period interest, if any, is capitalized in the proprietary fund. There was no construction period interest capitalized in 2016. The Department has one internally generated intangible asset (software), which is capitalized.

## 8. Compensated Absences

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of thirty working days (240 hours) of accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the long-term liabilities.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600 up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours in excess of 600 hour minimum limit, can be paid. All sick leave balances from 600 to 720 hours have been recorded at 50% of the employee's current hourly rate in the long-term liabilities.

Compensatory time may be granted by to individuals when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours of compensatory leave. Employees exempt from the FLSA may accrue up to 160 hours of compensatory leave.

The non-current portion (the amount estimated to be used in subsequent fiscal years) for Governmental Funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Annual leave and sick leave (in excess of 600 hours up to 720 hours) is accrued in the enterprise fund and reported as a fund liability.

## 9. Due To State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the total actual revenue amount to the total expended amount at fiscal year-end less any amounts that are determined to be non-spendable, restricted or assigned.

**Reverting Funds.** These are all funds that are not identified by law as non-reverting. Such funds are in excess of budgeted expenditures and budgeted and actual revenues. Examples of such reverting funds currently generated by the Department are miscellaneous revenues, sales and services revenues, and payments for care. Revenues for JPA, are reimbursements for actual costs, and as such, are a receivable due to the Department. Any amounts collected for these revenues over estimated budget are revertible funds, since they would be replacing reverting general fund that was temporarily used to support such activities. Reversions for JPA revenues are dependent on two criteria: 1) Period of receipt (current year versus prior year) and 2) Period of accrual (revenue recognition).

**Non-Reverting Funds.** All funds, which are either appropriated to or earned by the Department and by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project. The Department currently classifies the following revenues and sources as non-reverting.

- i) Enterprise Funds/Other State Funds – Corrections Industries Revolving Fund (Fund 07700). All revenues generated from sales and services and from other types revenues, which are specifically earned by and applied to the Corrections Industries Division, are non-revertible funds, except for any appropriated General Fund or grant funds awarded to this specific organization. Budget is established in Corrections Industries, program code P533. [Section 33-8-7 NMSA 1978]
- ii) Building Fund (Fund 89800). Revenues, which support the Building Fund, are non-revertible. The source of the revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Additionally, any unexpended balance of this fund is classified as cash balance. These revenues

support expenditures for the payment of maintenance and repairs at the Central Office and Training Academy Complex [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]

- iii) Community Corrections Grant Fund (Fund 90200). General Appropriations made to this fund do not revert to the State General Fund. Additionally, any unexpended appropriations to this fund are classified as Cash Balance, which is made up from either designated or undesignated cash balance or from non-expended budgeted cash balance. Revenue and expenditure budget is established in Community Corrections Vendor run program code P534. [Section 33-9-3 NMSA 1978]
- iv) Permanent Fund Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- v) Land Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from Land Income, both Regular and Charitable. The State Land Office distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- vi) Probation and Parole Fees (Fund 90200 and 91500). All Probation and Parole fees collected by the Department are non-revertible funds. Accordingly, all budgeted Cash Balance revenues from these fees that are not used to support current year operations are also not revertible to the State General Fund. Revenue and expenditure budgets are established in both Community Corrections, program code P534 and in Community Offender Management, program code P534. [Section 31-20-6 and 31-21-13.1 NMSA 1978]
- vii) Grant Funds (All Funds). Grant funds from any governmental source, such as Federal or State, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. In some cases, any over drawn grant funds may be reverted to the State General Fund or be reverted to the granting agency. Currently, all grants in operation by the Department, except for the State Criminal Alien Assistance Program (SCAAP) award, are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant related expenditure has occurred. [Section 6-5-10 NMSA 1978]. When the funds pertaining to the SCAAP award are received, the funds are deferred until budgeted by the Department.

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund.

Current year reversions *Due to the State General Fund* as of June 30, 2016 were as follows:

General Fund	SHARE System Fund 90700	SHARE System Fund 91500	Total
Current Year:			
FY 16 Reversions	\$ 47,206	\$ 8	\$ 47,214
Prior Year:			
FY15 Reversion	2,619,244	73,572	2,692,816
Total Reversions	2,666,450	73,580	2,740,030
State Dated Warrants	2,125	203	2,328
Total Reversions Due to General Fund	<u>\$ 2,668,575</u>	<u>\$ 73,783</u>	<u>\$ 2,742,358</u>

#### 10. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflows of resources (expenses/expenditures) until then. The department did not have any items that qualified for reporting in this category as of June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2016.

#### 11. Fund Balances

The Department has implemented GASB 54—Fund Balance Reporting and Governmental Fund Type Definitions. The pronouncement will provide modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds. The definition of each classification is summarized below:

##### Non-Spendable Fund Balance

The portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

##### Restricted Fund Balance

The portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either: (a) externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

##### Committed Fund Balance

This is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The Legislature and the Governor are the highest level of decision-making authority for the Department.

#### Assigned Fund Balance

This is the portion of fund balance that are constrained by the government's *intent* to be used for specific purposes, but that are neither restricted nor committed. The body or official authorized to assign amounts to a specific purpose is the highest level of decision-making authority for the Department. The Legislature and the Governor are the highest level of decision-making authority for the Department.

#### Unassigned Fund Balance

This is the portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

### **H. REVENUES, EXPENDITURES AND EXPENSES**

Substantially all governmental fund revenues are accrued.

Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles:

Prepaid items and inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

It is the practice of the Department to use available unrestricted resources first unless otherwise specifically directed to use restricted resources.

### **I. NET POSITION**

The government-wide and business types Fund Financial Statements utilize a net position presentation. Net Positions are categorized as investment in capital assets, restricted and unrestricted.

**Net investment in Capital Assets** – is intended to reflect the portion of net positions which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

**Restricted Net Position** – are liquid assets (generated from revenues and not bond proceeds), which have third-party constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation limiting their use.

The Department follows GASB 46 "Net Assets Restricted by Enabling Legislation". The government-wide statement of net position reports \$50,710,362, of which \$24,112,247 is restricted by enabling legislation.

**Unrestricted Net Position** – represent all other unrestricted liquid assets that do not meet the definition of "restricted net position" or "invested in capital assets".

### **J. USE OF ESTIMATES**

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

### **K. PROGRAM REVENUES**

Revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

The Department classifies the following types of revenues as program revenues: (1) All revenue received by Corrections Industries for the sale of goods or services, (2) Permanent Fund Income and Land Income of which the Department is a beneficiary, and (3) other charges for services such as Concession Merchandise, Institutional Sales, Payment for Care – Individuals, etc.

**NOTE 3: CASH**

**A. Pledged Collateral**

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Departments deposits may not be returned.

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance. FDIC insures the deposits of governmental accounts on a per Official Custodian basis as follows: the aggregate balance in demand deposits accounts are insured up to \$250,000 per Official Custodian and the aggregate balances in time and savings accounts are insured up to \$250,000 per Official Custodian.

On June 30, 2016, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total Amount on Deposit	\$ 2,291,484
Less: Amount covered by FDIC	<u>(250,000)</u>
Total Uninsured Funds	<u>2,041,484</u>
Amount requiring collateral (50%) *	<u>\$ 1,020,742</u>

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

\* The New Mexico State Treasurer's Office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department.

**NOTE 3: Cash (continued)**

**B. Schedule of Investment Accounts including cash held at the State Treasurer's Office**

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>
<b>General Fund:</b>		
NM State Treasurer	General Operating	General
NM State Treasurer	Probation and Parole	General
N/A	Various	General
Total General Fund Cash		
<b>Special Revenue Funds:</b>		
NM State Treasurer	General Operating	General
Total Special Revenue Fund		
<b>Enterprise Funds:</b>		
NM State Treasurer	Correction Industries	Enterprise
N/A	Various	Enterprise
Total Enterprise Funds		
<b>Agency Fund:</b>		
Wells Fargo Bank New Mexico	Inmate Master Trust Account	Agency Inmate Trust
Total Agency Fund Cash		



<u>SHARE System Fund No.</u>	<u>Type of Account</u>	<u>Interest Bearing</u>	<u>Bank/DFA Statement Balance at 06/30/16</u>	<u>Reconciled Book Balance at 06/30/16</u>
90700	State Treasury	No	\$ 41,046,113	\$ 41,046,113
91500	State Treasury	No	8,838,313	8,838,313
N/A	Petty Cash	No	2,075	2,075
			<u>49,886,501</u>	<u>49,886,501</u>
90200	State Treasury	No	3,491,974	3,491,974
			<u>3,491,974</u>	<u>3,491,974</u>
07700	State Treasury	Yes	2,407,513	2,407,513
N/A	Petty Cash	No	2,250	2,250
			<u>2,409,763</u>	<u>2,409,763</u>
55700	Checking	No	2,291,484	2,144,688
			<u>2,291,484</u>	<u>2,144,688</u>

**NOTE 4: CAPITAL ASSETS**

The changes in capital assets for the year are as follows:

	Beginning Balance 07/01/15	Additions	Net Transfers	Deletions	Ending Balance 06/30/16
<b>Governmental-type Activities:</b>					
Buildings and Improvements	\$ 35,982,437	\$ -	\$ -	\$ -	\$ 35,982,436
Improvements other than Buildings	3,714,246	-	-	-	3,714,246
Machinery and Equipment	21,856,119	1,303,496	(16,855)	(282,331)	22,860,429
Automotive	2,917,225	671,598	-	(272,749)	3,316,074
Total Capital Assets at Historical Cost	64,470,027	1,975,094	(16,855)	(555,080)	65,873,186
Less: Accumulated Depreciation					
Buildings and Improvements	16,714,681	1,283,037	-	-	17,997,718
Improvements other than Buildings	1,334,247	164,152	-	-	1,498,399
Machinery and Equipment	16,633,242	1,269,835	-	(238,101)	17,664,976
Automotive	2,492,277	92,117	-	(272,749)	2,311,645
Total Accumulated Depreciation	37,174,447	2,809,141	-	(510,850)	39,472,739
Governmental Activities Capital Assets, Net	<u>\$ 27,295,580</u>	<u>\$ (834,047)</u>	<u>\$ (16,855)</u>	<u>\$ (44,229)</u>	<u>\$ 26,400,447</u>
<b>Business-type Activities:</b>					
Buildings and Improvements	\$ 1,003,511	\$ -	\$ -	\$ -	\$ 1,003,511
Machinery and Equipment	2,192,941	267,304	16,855	-	2,477,100
Automotive	963,135	102,329	-	-	1,065,464
Total Capital Assets at Historical Cost	4,159,587	369,633	16,855	-	4,546,075
Less: Accumulated Depreciation					
Machinery and Equipment	1,968,791	30,846	-	-	1,999,637
Buildings and Improvements	916,854	5,841	-	-	922,695
Automotive	684,987	77,820	-	-	762,807
Total Accumulated Depreciation	3,570,632	114,507	-	-	3,685,139
Enterprise Fund Capital Assets, Net	<u>\$ 588,955</u>	<u>\$ 255,126</u>	<u>\$ 16,855</u>	<u>\$ -</u>	<u>\$ 860,936</u>

All Capital Assets listed above are being depreciated. The Corrections Department does not have any Capital Assets that are not being depreciated, such as land.

Depreciation expense for the current year is \$2,809,141 and \$114,507 for the governmental and enterprise funds, respectively. On the Statement of Activities, these amounts are included in the Public Safety-Corrections and Corrections Industries categories, accordingly.

**NOTE 5: RETIREMENT PLANS (STATE PERA & ERB)**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

The New Mexico Corrections Department, as part of the primary government of the State of New Mexico, is a contributing employer to two cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA) and Educational Retirement Board (ERB). Overall, Total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

**NOTE 6: RETIREE HEALTH CARE**

**RHCA Plan Description**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the 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.

**Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for 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](http://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 who are members of an enhanced retirement plan (correctional officers), during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's salary, and each participating employee was required to contribute 1.25% of their salary. For employees who are not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee is required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Corrections Department contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$1,686,696, \$1,786,135, and \$1,625,907, respectively, which equal the required contributions for each year.

#### **NOTE 7: FUNDS HELD IN TRUST BY OTHERS**

The Department, through the Penitentiary of New Mexico (PNM), is an income beneficiary of a portion of the State Permanent Fund derived from trust lands assigned to PNM by the Fergusson Act of 1898 and the New Mexico Enabling Act of 1910. These Acts together transferred surface acres and mineral acres of Federal Land to the Territory of New Mexico. The grants stipulate that such lands are to be held in trust for the benefit of specifically identified state institutions.

The Department is also an income beneficiary of a portion of the State Charitable, Penal and Reformatory Institutions Permanent Fund derived from trust lands assigned to PNM by the Fergusson Act of 1898 and the New Mexico Enabling Act of 1910.

Responsibility for the investment of the State Permanent Fund resides with the State Investment Officer. Because the Department does not control the funds, they are not reflected in the accompanying financial statements. Income from the trust is required to be used for the care and custody of adult offenders and is recognized in the general fund as a component of other state fund revenues.

At June 30, 2016 the value of the State Permanent Fund investments held for the benefit of the Department was \$277,361,167 at market. Related investment income for the year then ended was \$12,539,631.

The value of the State Charitable, Penal and Reformatory Institutions Fund investments held for the benefit of the Department were 1/7<sup>th</sup> of the fair market value, which was \$115,731,138 at June 30, 2016. Related investment income from the trust for the year then ended was \$750,897.

#### **NOTE 8: CONCENTRATIONS AND INTERFUND TRANSACTIONS**

Inmates at various institutions are required to work for the institutions or provide direct labor in the Corrections Industries work programs reflected on pages 72 through 76. These inmates are compensated at nominal rates, and their earnings are paid to the credit of the inmate trust accounts reported in the Agency Fund. During fiscal year ended June 30, 2016 the Enterprise Fund incurred \$216,751 in inmate wages expense.

**NOTE 9: OPERATING LEASES**

**LESSEE:**

The Department is obligated for office space lease agreements for Probation and Parole Division field offices, copier and mailing equipment leases Department wide, and GSD Motor Transportation Pool vehicle leases Department wide. All are being accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, all lease agreements include a cancellation clause and are contingent upon legislative appropriation.

Future minimum annual payments under operating lease agreements for facilities, vehicles, and equipment are as follows:

<b>Year Ended June 30,</b>	
2017	\$ 2,856,066
2018	2,644,545
2019	2,132,387
2020	1,636,505
2021	1,449,238
Subsequent	<u>1,825,352</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 12,544,093</u></b>

During the year ended June 30, 2016, general fund operating lease expenditures for facilities, vehicles, and equipment totaled \$3,854,950.

**LESSOR:**

The Corrections Industries Division is a lessor of corral space outside the secured perimeter of the prison facility in Santa Fe, New Mexico. The following schedule identifies the amount of expected rent revenue for the general fund:

<b>Year Ended June 30,</b>	
2017	\$ 185,000
2018	138,750
2019	-
2020	-
2021	-
Subsequent	-
<b>Total Minimum Lease Payments</b>	<b><u>\$ 323,750</u></b>

**NOTE 10: CHANGES IN SHORT-TERM LIABILITIES**

The changes in short-term liabilities for government type activities are as follows:

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 3,626,111	\$ 3,896,085	\$ (3,835,807)	\$ 3,686,389
Compensatory Leave	633,438	2,860,883	(2,794,163)	700,158
Sick Leave	60,612	3,151,454	(3,124,618)	87,448
Total Short-Term Liabilities	<u>\$ 4,320,161</u>	<u>\$ 9,908,422</u>	<u>\$ (9,754,588)</u>	<u>\$ 4,473,995</u>

The changes in short-term liabilities for business-type activities are as follows:

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 59,302	\$ 52,598	\$ (35,917)	\$ 75,983
Compensatory Leave	4,847	4,594	(5,829)	3,612
Sick Leave	480	45,163	(44,528)	1,115
Total Short-Term Liabilities	<u>\$ 64,629</u>	<u>\$ 102,355</u>	<u>\$ (86,274)</u>	<u>\$ 80,710</u>

\*The estimated amount expected to be paid for Compensated Absences within one year is \$4,473,995 which is listed on the Statement of Net Position on page 11. The General Operating Funds typically have been used to liquidate short-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 90200, 90700, and 91500. The estimated balance of \$80,710 for the business-type activities is expected to be paid for within one year.

**NOTE 11: CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS)**

The Department as a State Agency defined in the New Mexico Tort Claims Act, is insured through the State of New Mexico General Services Department, Risk Management Division. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

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

In the case of civil actions or claims against the Department for financial damages, the Department's certificate of insurance with Risk Management does not cover claims for back wages but does cover civil rights claims for other compensatory damages.

The civil actions or claims against the Department for money damages are referred to the Risk Management Division (RMD) for payment of any judgment or settlement and for some of these claims the Department and RMD could share the liability for any monetary judgment or settlement. The potential risk of loss to the Department in these pending legal cases is estimated to be \$275,000 to \$2,155,000 and is deemed to be "slight to moderate" by the Department's counsel and management and the potential loss would not materially adversely affect the financial statements.

**NOTE 12: OTHER FINANCING SOURCES AND OPERATING TRANSFERS**

**Transfer In/Out:**

During the fiscal year, the Department received and transferred funds between agencies. These amounts include: (1) \$300,887,000 of State General Fund Appropriations. (2) A total of \$1,265,031 was received from various state agencies. Detail of this amount is as follows: DFA Computer System Enhancement Fund - \$250,000; General Services Department for costs related to legal staff defending the Department in Pro Se cases - \$256,063; Higher Ed Department and Dept. of Public Safety - \$243,716; and JPA Revenue from NM Department of Transportation and Energy, Minerals and Natural Resources Department - \$515,252. (3) The Department transferred to the State General Fund as part of its reversions \$2,695,358 (additional information regarding this amount can be found in Note 2-11 starting on page 37). The following is a breakdown of these transactions by fund:

	SHARE Agency / Fund	Transfer In	Transfer Out
<b>State General Fund Appropriations</b>			
SHARE System Fund 90200	34101-85300	\$ 6,625,099	\$ -
SHARE System Fund 90700	34101-85300	269,493,200	-
SHARE System Fund 91500	34101-85300	24,768,701	-
<b>Total State General Fund Appropriations</b>		<b><u>\$ 300,887,000</u></b>	<b><u>\$ -</u></b>
<b>Inter-Agency Transfers</b>			
SHARE System Fund 90700	35000-35703	256,063	\$ -
SHARE System Fund 90700	52100-19900	2,858	-
SHARE System Fund 90700	52100-20010	68,711	
SHARE System Fund 90700	52100-21300	50,018	
SHARE System Fund 90700	52100-95300	1,669	
SHARE System Fund 90700	52100-95600	1,651	
SHARE System Fund 90700	34100-00900	250,000	
SHARE System Fund 90700	79000-12802	23,648	-
SHARE System Fund 90700	80500-20100	390,345	-
SHARE System Fund 90700	95000-12150	220,068	-
SHARE System Fund 91500	66500-06105		13,676
SHARE System Fund 91500	37000-79900		20
SHARE System Fund 90700	79000-12804		145,833
SHARE System Fund 90700	37000-79900		40
SHARE System Fund 90700	42000-46400		60
SHARE System Fund 90700	66700-98900	-	625
<b>Total Inter-Agency Transfers</b>		<b><u>\$ 1,265,031</u></b>	<b><u>\$ 160,254</u></b>
<b>Intra-Agency Transfers</b>			
SHARE System Fund 90700	77000-89800	150,602	\$ -
SHARE System Fund 89800	77000-90700	-	\$ 150,602
SHARE System Fund 07700	77000-90700	16,855	\$ -
SHARE System Fund 90700	77000-07700	-	16,855
<b>Total Intra-Agency Transfers</b>		<b><u>\$ 167,457</u></b>	<b><u>\$ 167,457</u></b>
<b>State General Fund Reversions</b>			
SHARE System Fund 90700	34101-85300	\$ -	\$ 2,668,575
SHARE System Fund 91500	34101-85300	-	73,783
<b>Total State General Fund Appropriation/Reversions</b>		<b><u>\$ -</u></b>	<b><u>\$ 2,742,358</u></b>

NOTE 13: FUND BALANCE

**Government Fund Balances – Restricted, Committed and Assigned**

The Department's fund balances represent: (1) *Restricted Fund Balance*, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other government or imposed by law through constitutional provisions or enabling legislation; (2) *Committed Fund Balance*, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; (3) *Non-Spendable Fund Balance*, which includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; (4) *Assigned Fund Balance*, which includes a portion of the fund balance that represents the remaining amount that is not restricted or committed and are intended to be used by the government for specific purposes, (5) *Unassigned Fund Balance*, which includes a portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classification could be used.

The following is a summary of the Restricted Fund Balance amounts by fund type at June 30, 2016:

Governmental Funds	
General Operating Fund (90700)	\$ 11,791,458
Probation and Parole Fund (91500)	5,990,453
Community Corrections Special Revenue Fund (90200)	<u>2,416,869</u>
	<u>\$ 20,198,781</u>

The Community Corrections Special Revenue Fund statutorily does not revert to the State General Fund. The Department has requested to use \$612,700 in its fiscal year 2016 budget request and \$812,700 in its fiscal year 2017 budget request, thereby reducing the amount of the appropriation request.

The Department has a portion of fund balance in the amount of \$3,770,727 that is Non-spendable. The Non-spendable amount includes prepaid expenses, inventories, and petty cash. The Department also has a portion of fund balance in the amount of \$40,000 listed as Unassigned Fund Balance in the Governmental Funds.



**NOTE 14: JPA AND MOU DISCLOSURE**

The Department was a party to the following Joint Power Agreements (JPA) and Memorandums of Understanding (MOU) during fiscal year 2016:

**NM Tort Claims Act** - JPA #13-001J Between NMCD and General Services Department, Risk Management Division (GSD/RMD) to provide legal representation of NMCD employees pursuant to the NM Tort Claims Act (Pro Se Cases). Yearly allotment made to NMCD Office of General Counsel.

- Responsible Party for Operations: GSD
- Time Period: July 1, 2012 to June 30, 2016
- Total Estimated Amount of Project - \$249,817
- Portion Applicable to NMCD: Income
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: GSD

**Inmate Work Crews for City of Grants** - JPA #09-006J between NMCD and the City of Grants to provide inmate work crews for maintenance, beautification and enhancement at various locations in the City of Grants, NM.

- Responsible Party for Operations: City of Grants
- Time Period: December 5, 2008 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: City of Grants

**Inmate Labor** – JPA #14-521-0400-0143 between NMCD and the NM Energy, Minerals and Natural Resources Department (EMNRD) To provide inmate forestry work camp that will provide training and labor for fire suppression.

- Responsible Party for Operations: EMNRD
- Time Period: June 19, 2014 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: EMNRD

NOTE 14: JPA and MOU Disclosure (Continued)

**Inmate Labor** – JPA #02-521-05-012 between NMCD and the NM Energy, Minerals and Natural Resources Department (EMNRD) To provide inmate labor to maintain NM State Parks.

- Responsible Party for Operations: EMNRD
- Time Period: July 20, 2001 to Indefinite
- Total Estimated Amount of Project: \$149,000.00
- Portion Applicable to NMCD: \$14,442.09
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: EMNRD

**Inmate Labor** – JPA #02-04J between NMCD and the Santa Fe Solid Waste Management Agency (SFSWMA) To provide inmate labor to perform minor maintenance, beautification and litter control of the Caja Del Rio Landfill property and other properties as directed by the agency.

- Responsible Party for Operations: SFSWMA
- Time Period: September 1, 2001 to Indefinite
- Total Estimated Amount of Project: \$90,000.00
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: SFSWMA

**Inmate Labor** – JPA #99-7J between NMCD and the City of Las Cruces To provide inmate labor to perform minor maintenance, beautification and litter control of public areas and other properties as directed by the agency.

- Responsible Party for Operations: City of Las Cruces
- Time Period: July 28, 1998 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: City of Las Cruces

**Inmate Labor** - JPA #10-001J between NMCD and the City of Santa Fe to provide inmate labor.

- Responsible Party for Operations: City of Santa Fe
- Time Period: July 21, 2009- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: City of Santa Fe

NOTE 14: JPA and MOU Disclosure (Continued)

**Behavioral Health Services** - JPA#1-7/96 between NMCD and the NM Department of Health to provide behavioral health services.

- Responsible Party for Operations: NMCD
- Time Period: September 21, 2000- Indefinite
- Total Estimated Amount of Project: As Needed
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Use of Old Main** - JPA between NMCD and the Department of Military Affairs for operation and use of PNM Old Main.

- Responsible Party for Operations: NMCD
- Time Period: December 20, 2010- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Filming at Old Main** - JPA between NMCD and the Facilities Management Division of the General Services Department and the Film Division of the NM Economic Development Department in order to make use of the old Penitentiary of New Mexico (Old Main) by the motion picture industry for economic development.

- Responsible Party for Operations: NMCD
- Time Period: July 22, 2013- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Legal Representation** – MOU between NMCD and the NM Attorney General's Office for legal representation of NMCD and its employees in federal and habeas corpus proceedings.

- Responsible Party for Operations: NMCD
- Time Period: June 10, 2009 - Indefinite
- Total Estimated Amount of Project: \$25,000.00+
- Portion Applicable to NMCD: \$25,000.00+
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Inmate Tracking** – MOU between NMCD and the NM Human Services Department (HSD) for the tracking of all inmates and parolees named as non-custodial parents in HSD Child Support Enforcement Cases.

- Responsible Party for Operations: HSD/NMCD
- Time Period: June 4, 2003 - Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: HSD/NMCD

**Training Personnel from Central America** – MOU between NMCD and Department of State, Bureau for International Narcotics and Law Enforcement Affairs (INL) for training and mentoring of corrections personnel from Central America.

- Responsible Party for Operations: NMCD/INL
- Time Period: February 3, 2012– January 31, 2015
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/INL

**Collective Bargaining Negotiations** – MOU between NMCD and the State Personnel Office for the representation during collective bargaining negotiations.

- Responsible Party for Operations: NMCD
- Time Period: May 4, 2005 - Indefinite
- Total Estimated Amount of Project: \$11,067.78
- Portion Applicable to NMCD: \$11,067.78
- Amount Agency Contributed in Fiscal Year 2016: \$
- Audit Responsibility: NMCD

**Inmate Labor** – MOU between NMCD, and Department of Military Affairs (NMDMA) for inmate labor to perform janitorial and maintenance services.

- Responsible Party for Operations: NMDMA
- Time Period: April 25, 2005 - Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMDMA

**Hepatitis C Medication and Pharmaceutical Consulting** – MOU between NMCD, and Department of Health to provide Hepatitis C medication and consulting to NMCD inmates with HCV Disease.

- Responsible Party for Operations: NMCD
- Time Period: June 21, 2004 - Indefinite
- Total Estimated Amount of Project: Actual Costs
- Portion Applicable to NMCD: Actual Costs
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**International and Domestic Terrorism Taskforce** – MOU between NMCD, and the Federal Bureau of Investigations (FBI) to form the New Mexico Joint Terrorism Taskforce.

- Responsible Party for Operations: NMCD/FBI
- Time Period: January 8, 2004 – Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: FBI

**10 Year Inmate Population Projections** – MOU between NMCD, and the NM Sentencing Commission to develop sound 10 year inmate population projections.

- Responsible Party for Operations: NMCD
- Time Period: September 26, 2011 – Indefinite
- Total Estimated Amount of Project: \$22,000.00
- Portion Applicable to NMCD: \$22,000.00
- Amount Agency Contributed in Fiscal Year 2016: \$
- Audit Responsibility: NMCD

**Regional Fugitive Task Forces** – MOU between NMCD, and the United States Marshal's Service to form the regional Fugitive Task Forces per the Presidential Threat Protection Act.

- Responsible Party for Operations: NMCD
- Time Period: October 6, 2013 - Indefinite
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: Actual Cost/Reimbursement
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/US Marshal's Service

NOTE 14: JPA and MOU Disclosure (Continued)

**Albuquerque Safe Streets Task Force** – MOU between NMCD/PPD and the Federal Bureau of Investigations (FBI) for inter-agency cooperation, and formalizing inter-agency relationships for policy guidance, planning, training, public and media relations.

- Responsible Party for Operations: NMCD/FBI
- Time Period: April 8, 2009 – Duration of SSTF Operations
- Total Estimated Amount of Project: Actual Costs/Reimbursement
- Portion Applicable to NMCD: Actual Costs/Reimbursement
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/FBI

**2015 Financial Audit** – MOU between NMCD and the Office of the State Auditor (OSA) to conduct the Fiscal Year 2015 Financial Audit.

- Responsible Party for Operations: NMCD/OSA
- Time Period: June 29, 2015 – December 01, 2015
- Total Estimated Amount of Project: \$110,000.00
- Portion Applicable to NMCD: Actual Costs
- Amount Agency Contributed in Fiscal Year 2016: \$110,000.00
- Audit Responsibility: NMCD/OSA

**Representation for Collective Bargaining** – MOU between NMCD, the Office of the Governor et al for cooperative funding and representation for collective bargaining negotiations.

- Responsible Party for Operations: NM State Personnel
- Time Period: June 10, 2015 - Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: \$7,894.57
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Probation Supervision** – MOU between NMCD and the Magistrate Courts of NM for NMCD to accept probation supervision.

- Responsible Party for Operations: NMCD
- Time Period: June 14, 2013 – Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

NOTE 14: JPA and MOU Disclosure (Continued)

**Probation Supervision** – MOU between NMCD and the Department of Veterans Affairs (VA) to promote cooperation between NMCD and VA regarding the supervision of probationers and parolees residing at a VA facility with a residential rehabilitation treatment program in NM.

- Responsible Party for Operations: NMCD
- Time Period: December 1, 2012-July 30, 2015
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Family Reunification Services** – MOU between NMCD, Corrections Corporation of America and PB&J Family Services to provide pre and post release family reunification services for female inmates who are mothers.

- Responsible Party for Operations: NMCD
- Time Period: March 28, 2013-September 30, 2018
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Wheelchair Restoration** – MOU between NMCD and Joni and Friends (JAF) for the restoration of wheelchairs to be distributed through JAF's *Wheels for the World* program beyond U.S. boundaries.

- Responsible Party for Operations: NMCD
- Time Period: December 4, 2013-Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Legal Services-Cooperative Funding**- MOU between NMCD and the Office of the Governor et al for cooperative funding and legal services in connection to the pending lawsuit titled State of New Mexico v. American Federation of State, County and Municipal Employees Council 18, AFL-CIO, CLC and Communication Workers of America, AFL-CIO, New Mexico Supreme Court, Docket Number 33,792.

- Responsible Party for Operations: NM State Personnel
- Time Period: February 18, 2013-Indefinite
- Total Estimated Amount of Project: \$7,684.90
- Portion Applicable to NMCD: \$7,684.90
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

NOTE 14: JPA and MOU Disclosure (Continued)

**Legal Services-Cooperative Funding** - MOU between NMCD and the Office of the Governor et al for cooperative funding and legal services in connection to State of New Mexico, Movant v. American Federation of State, County and Municipal Employees Council 18, AFL-CIO, CLC and Communication Workers of America, AFL-CIO, CLC, Respondent, D-202-CV-2009-09756 (Consolidated).

- Responsible Party for Operations: NM State Personnel
- Time Period: September 16, 2013-Indefinite
- Total Estimated Amount of Project: \$4,673.76
- Portion Applicable to NMCD: \$4,673.76
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Legal Services-Cooperative Funding** - MOU between NMCD and the Office of the Governor et al for cooperative funding of implementation costs/fees and attorneys' fee award plus gross receipts tax, in connection with State of New Mexico vs. American Federation of State, County and Municipal Employees, Council 18, AFL-CIO, CLC and Communications Workers of America, AFL-CIO, CLC, D-202-CV-2009-09756 (Consolidated), and underlying arbitration awards.

- Responsible Party for Operations: NM State Personnel
- Time Period: March 27, 2014-Indefinite
- Total Estimated Amount of Project: \$
- Portion Applicable to NMCD: \$255,882.76
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Region III Drug Task Force** - MOU between NMCD and the Region III Drug Task Force for cooperation between several law enforcement agencies for drug interdiction and intelligence.

- Responsible Party for Operations: NMCD Et Al
- Time Period: July 1, 2013 – Indefinite
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD Et Al

**Transport of State Inmates** - MOU between NMCD and the County of Bernalillo to resolve disputes between the parties and set forth the parties' resolution regarding the placement and removal of technical parole violators from the Metropolitan Detention Center (MDC).

- Responsible Party for Operations: NMCD/MCD
- Time Period: March 6, 2008 – Indefinite
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/MDC



NOTE 14: JPA and MOU Disclosure (Continued)

**Litter Control** - MOU # 15-017 between NMCD and the New Mexico Transportation Department (NMDOT) to provide inmates to perform minor maintenance and beautification on highways.

- Responsible Party for Operations: NMCD/NMDOT
- Time Period: June 26, 2014 – June 30, 2018
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/MDC

**Prison Rape Elimination Act (PREA)** - MOU between NMCD and the Colorado Department of Corrections (CDOC) to conduct PREA audits to insure compliance with PREA standards.

- Responsible Party for Operations: NMCD/CDOC
- Time Period: October 2, 2014 – October 1, 2019
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/CDOC

**Prison Rape Elimination Act (PREA)** - MOU between NMCD and the Hawaii Department of Public Safety (HDPS) to conduct PREA audits to insure compliance with PREA standards.

- Responsible Party for Operations: NMCD/CDOC
- Time Period: October 2, 2014 – October 1, 2019
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD/HDPS

**Access Agreement** MOU between NMCD and Lucky 8 TV LLC for access to NMCD facilities, employees and inmates with respect to filming a documentary entitled "Rookie CO's) television series.

- Responsible Party for Operations: NMCD/Lucky 8 TV LLC
- Time Period: February 5, 2015 – Upon Date of Premier Broadcast of Last Episode.
- Total Estimated Amount of Project: \$
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**Reimbursement Agreement** MOU between NMCD and Lucky 8 TV LLC for reimbursement of NMCD for production related overtime incurred by Correctional Officers engaged by the producer to provide services in connection to the filming of the documentary "Rookie CO's" television series.

- Responsibility Party for Operations: NMCD/Lucky 8 TV LLC
- Time Period: February 5, 2015 – Upon Date of Premier Broadcast of Last Episode
- Total Estimated Amount of Project: \$
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2016: -0-
- Audit Responsibility: NMCD

**NOTE 15: SHARE CASH BALANCES**

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.

DFA and STO implemented a comprehensive reconciliation model comparing aggregated claims in the SGFIP to the associated resources at STO. IPAs, DFA, STO and the CAFR unit have reviewed the reconciliation model for FY 15, and have deemed the process to be adequate and the related findings were either eliminated or significantly reduced. \$100M was identified that had been reserved as a loss contingency, and has now been reinstated.

Calculated differences between STO and agency claims have remained stable over the past 12 months. Sufficient resources are available to cover claims and there is no need to adjust the SGFIP for any specific business unit, and all claims will be honored at face value.

The Department post audits deposits daily to mitigate the risk of misstatement of the Department'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.

**NOTE 16: SUBSEQUENT EVENTS**

The New Mexico Corrections Department (NMCD) has evaluated subsequent events through November 30, 2016 which is the date the financial statements have been issued and has determined no events require disclosure or adjustment to the financial statements.

**NOTE 17: RELATED PARTY**

The New Mexico Corrections Department had two related party transactions. The first is between the ASD Deputy Secretary and Lucky 8. The ASD Deputy Secretary worked for the New Mexico Corrections Department and Lucky 8 during the fiscal year. The New Mexico Corrections Department received \$95,000 in Revenue from Lucky 8 for the Behind Bars television series. The other is between The New Mexico Corrections Department and the Corrections Industries Division. Corrections Industries is a division of the New Mexico Corrections Department. Corrections Industries generates revenue to finance inmate programming through the sale of goods and services. The New Mexico Corrections Department paid Corrections Industries \$3,430,608.47 for goods and services purchased during the 2016 fiscal year.

**NOTE 18: SUBSEQUENT PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for financial statements for fiscal years beginning after June 15, 2016. The NMCD is evaluating how this pronouncement will affect the agency.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for financial statements for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2017. The NMCD is evaluating how this pronouncement will affect the agency.

In March 2016, the GASB issued Statement No. 82, *Pension Issues--An amendment of GASB Statements No. 67, Financial Reporting for Pensions Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets*. The standard will be implemented during the fiscal year ended June 15, 2017. Earlier application is encouraged. The NMCD is evaluating how this pronouncement will affect the agency.

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**GENERAL OPERATING FUND  
SHARE FUND 90700**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
<b>REVENUES</b>				
State General Fund	\$ 258,227,700	\$ 269,493,200	\$ 269,493,200	\$ -
Other State Funds	13,821,600	14,200,241	16,699,911	2,499,670
Inter-Agency Transfers	256,100	250,000	400,602	150,602
Federal Funds	232,700	754,983	602,928	(152,055)
Total Revenues	\$ 272,538,100	284,698,424	287,196,641	2,498,217
Budgeted Fund Balance	-	299,477	2,444,143	2,144,666
<b>Total Budgeted Revenues</b>	<b>\$ 272,538,100</b>	<b>\$ 284,997,901</b>	<b>\$ 289,640,784</b>	<b>\$ 4,642,883</b>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 116,343,800	\$ 115,842,091	\$ 115,372,655	\$ 469,436
Contractual Services	46,796,900	55,446,695	51,280,131	4,166,564
Other	109,397,400	113,674,664	115,185,250	(1,510,586)
Reversions	-	-	2,666,243	(2,666,243)
<b>Total Budgeted Expenditures</b>	<b>\$ 272,538,100</b>	<b>\$ 284,963,450</b>	<b>\$ 284,504,280</b>	<b>\$ 459,170</b>

NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016

PROBATION AND PAROLE GENERAL OPERATING FUND  
SHARE FUND 91500

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State General Fund	\$ 26,972,100	\$ 24,768,701	\$ 24,768,701	\$ -
Other State Funds	2,000,000	2,000,000	2,125,827	125,827
Inter-Agency Transfers	-	-	-	-
Miscellaneous Revenue	-	-	820	820
Federal Funds	-	3,000	869	(2,131)
Total Revenues	28,972,100	26,771,701	26,896,217	124,516
Budgeted Fund Balance	-	-	-	-
<b>Total Budgeted Revenues</b>	<b>\$ 28,972,100</b>	<b>\$ 26,771,701</b>	<b>\$ 26,896,217</b>	<b>\$ 124,516</b>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 18,953,400	\$ 19,367,794	\$ 19,354,790	\$ 13,004
Contractual Services	146,100	240,631	238,797	1,834
Other	9,872,600	7,163,276	6,633,413	529,863
Reversions	-	-	73,572	(73,572)
<b>Total Budgeted Expenditures</b>	<b>\$ 28,972,100</b>	<b>\$ 26,771,701</b>	<b>\$ 26,300,573</b>	<b>\$ 471,128</b>

**NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING BALANCE SHEET GENERAL FUND TYPES  
AS OF JUNE 30, 2016**

<b>ASSETS</b>	Building Fund	General Operating	Probation & Parole	Total *
	SHARE System Fund 89800	Fund SHARE System Fund 90700	Fund SHARE System Fund 91500	
Investments	\$ -	\$ 41,046,113	\$ 8,838,313	\$ 49,884,426
Petty Cash	-	2,075	-	2,075
Receivables net				
of allowance for doubtful accounts	-	249,635	740	250,375
Federal Grants Receivable	-	25,757	-	25,757
Other Receivables	-	16,600	889	17,489
Due from Other State Agencies	-	1,189,389	-	1,189,389
Inventories	-	3,495,515	235,810	3,731,325
Prepaid Items	-	33,507	6,380	39,887
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 46,058,591</b>	<b>\$ 9,082,132</b>	<b>\$ 55,140,722</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ 6,482,622	\$ 1,119,514	\$ 7,602,136
Vouchers Payable	-	14,434,363	672,508	15,106,871
Payroll Benefits Payable	-	1,634,157	16,779	1,650,936
Payroll Taxes Payable	-	224,289	272,219	496,508
Accrued Wages Payable	-	1,860,175	287,545	2,147,720
Due to State General Fund	-	2,666,450	73,580	2,740,030
State Dated Warrants - Due to SGF	-	2,125	203	2,328
Receipts Held in Suspense	-	20	-	20
Due to Other State Agencies	-	211	20,357	20,568
Due to Local Governments	-	3,390,366	380,109	3,770,475
Other Liabilities	-	3,816	6,674	10,490
<b>Total Liabilities</b>	<b>-</b>	<b>30,698,594</b>	<b>2,849,488</b>	<b>33,548,082</b>
<b>Fund Balances:</b>				
Restricted for:				
Nonspendable	-	3,528,539	242,190	3,770,727
Restricted	-	11,791,458	5,990,453	17,781,912
Unassigned	-	40,000	-	40,000
<b>Total Fund Balance</b>	<b>-</b>	<b>15,359,996</b>	<b>6,232,644</b>	<b>21,592,639</b>

**NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND TYPES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
<b>Revenues</b>				
Other State Funds	\$ -	\$ 16,699,912	\$ 2,126,647	\$ 18,826,558
Federal Grants	-	344,155	869	345,024
<b>Total Revenues</b>	<b>-</b>	<b>17,044,067</b>	<b>2,127,515</b>	<b>19,171,582</b>
<b>Expenditures, Current</b>				
Personal Services & Employee Benefits	-	115,372,655	19,354,790	134,727,445
Contractual Services	-	51,280,131	238,797	51,518,928
Other	-	113,253,411	6,590,158	119,843,569
Expenditures, Capital Outlay	-	1,931,839	43,256	1,975,095
<b>Total Expenditures</b>	<b>-</b>	<b>281,838,036</b>	<b>26,227,000</b>	<b>308,065,036</b>
<b>Excess (deficiency) Revenues over Expenditures</b>	<b>-</b>	<b>(264,793,969)</b>	<b>(24,099,485)</b>	<b>(288,893,454)</b>
<b>Other Financing Sources (uses)</b>				
General Fund Appropriation	-	269,493,200	24,768,701	294,261,901
Operating Transfers-In	-	659,375	-	659,375
Operating Transfers-Out	(150,602)	-	-	(150,602)
Reversions to State General Fund	-	(2,666,243)	(73,572)	(2,739,815)
<b>Net Other Financing Sources (uses)</b>	<b>(150,602)</b>	<b>267,486,332</b>	<b>24,695,129</b>	<b>292,030,859</b>
<b>Excess Revenues and Other Financing Sources over (under) Expenditures &amp; Other Financing Uses</b>	<b>(150,602)</b>	<b>2,692,362</b>	<b>595,644</b>	<b>3,137,404</b>
<b>Fund Balance, Beginning of Year</b>	<b>150,602</b>	<b>12,667,634</b>	<b>5,636,999</b>	<b>18,455,235</b>
<b>Fund Balance, End of Year</b>	<b>(0)</b>	<b>\$ 15,359,996</b>	<b>\$ 6,232,643</b>	<b>\$ 21,592,639</b>

\* Inter-fund balances have been eliminated in the total column.

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**PROGRAM SUPPORT – P530**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	<u>(Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ 12,978,800	\$ 11,427,798	\$ 11,427,798	\$ -
Other State Funds	461,600	840,241	844,578	4,337
Inter-Agency Transfers	256,100	-	150,602	150,602
Federal Funds	-	48,168	9,803	(38,365)
Total Revenues	<u>13,696,500</u>	<u>12,316,207</u>	<u>12,432,781</u>	<u>116,574</u>
Budgeted Fund Balance	-	-	2,444,143	2,444,143
Total Budgeted Revenues	<u>\$ 13,696,500</u>	<u>\$ 12,316,207</u>	<u>\$ 14,876,924</u>	<u>\$ 2,560,717</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 10,396,300	\$ 9,392,443	\$ 9,392,443	\$ -
Contractual Services	932,100	845,451	845,451	-
Other	2,368,100	2,043,862	2,019,829	24,033
Reversions	-	-	2,619,201	(2,619,201)
Total Budgeted Expenditures	<u>\$ 13,696,500</u>	<u>\$ 12,281,756</u>	<u>\$ 14,876,924</u>	<u>\$ (2,595,168)</u>



**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**INMATE MANAGEMENT and CONTROL – P531**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
<b>REVENUES</b>				
State General Fund	\$ 245,248,900	\$ 245,065,402	\$ 245,065,402	\$ -
Other State Funds	13,360,000	13,360,000	15,855,333	2,495,333
Inter-Agency Transfers	-	-	-	-
Federal Funds	232,700	706,815	593,125	(113,690)
Total Revenues	258,841,600	259,132,217	261,513,859	2,381,642
Budgeted Fund Balance	-	49,477	-	(49,477)
Total Budgeted Revenues	\$ 258,841,600	\$ 259,181,694	\$ 261,513,859	\$ 2,332,165
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 105,947,500	\$ 105,149,648	\$ 105,080,473	\$ 69,175
Contractual Services	45,864,800	47,151,244	47,083,084	68,160
Other	107,029,300	106,880,802	106,865,170	15,632
Reversions	-	-	47,000	(47,000)
Total Budgeted Expenditures	\$ 258,841,600	\$ 259,181,694	\$ 259,075,727	\$ 105,967

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**SPECIAL APPROPRIATIONS – Fund 90700**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
<b>REVENUES</b>				
State General Fund	\$ -	\$ 13,000,000	\$ 13,000,000	\$ -
Other State Funds	-	-	\$ -	-
Inter-Agency Transfers	-	250,000	\$ 250,000	-
Federal Funds	-	-	-	-
Total Revenues	-	13,250,000	13,250,000	-
Budgeted Fund Balance	-	250,000	-	(250,000)
Total Budgeted Revenues	<u>\$ -</u>	<u>\$ 13,500,000</u>	<u>\$ 13,250,000</u>	<u>\$ (250,000)</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ 1,300,000	\$ 899,739	\$ 400,261
Contractual Services	-	7,450,000	\$ 3,351,596	4,098,404
Other	-	4,750,000	6,300,251	(1,550,251)
Reversions	-	-	42	(42)
Total Budgeted Expenditures	<u>\$ -</u>	<u>\$ 13,500,000</u>	<u>\$ 10,551,628</u>	<u>\$ 2,948,372</u>

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**COMMUNITY OFFENDER MANAGEMENT – P534**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	
<b>REVENUES</b>				
State General Fund	\$ 26,972,100	\$ 24,768,701	\$ 24,768,701	\$ -
Other State Funds	2,000,000	2,000,000	2,125,827	125,827
Inter-Agency Transfers	-	-	-	-
Miscellaneous Revenue	-	-	820	820
Federal Funds	-	3,000	869	(2,131)
Total Revenues	<u>28,972,100</u>	<u>26,771,701</u>	<u>26,896,217</u>	<u>124,516</u>
Budgeted Fund Balance	-	-	-	-
Total Budgeted Revenues	<u>\$ 28,972,100</u>	<u>\$ 26,771,701</u>	<u>\$ 26,896,217</u>	<u>\$ 124,516</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 18,953,400	\$ 19,367,794	\$ 19,354,790	\$ 13,004
Contractual Services	146,100	240,631	238,797	1,834
Other	9,872,600	7,163,276	6,633,413	529,863
Reversions	-	-	73,572	(73,572)
Total Budgeted Expenditures	<u>\$ 28,972,100</u>	<u>\$ 26,771,701</u>	<u>\$ 26,300,573</u>	<u>\$ 471,128</u>

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**COMMUNITY CORRECTIONS – VENDOR OPERATED – P534**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State General Fund	\$ 4,421,700	\$ 6,625,099	\$ 6,625,099	\$ -
Other State Funds	34,600	34,600	65,446	30,846
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	<u>4,456,300</u>	<u>6,659,699</u>	<u>6,690,545</u>	<u>30,846</u>
Budgeted Fund Bal.	<u>612,700</u>	<u>612,700</u>		<u>(612,700) *</u>
Total Budgeted Revenues	<u>\$ 5,069,000</u>	<u>\$ 7,272,399</u>	<u>\$ 6,690,545</u>	<u>\$ (581,854)</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 876,500	\$ 876,500	\$ 763,161	\$ 113,339
Contractual Services	-	6,185,899	5,722,346	463,553
Other	<u>4,192,500</u>	<u>210,000</u>	<u>179,258</u>	<u>30,742</u>
Total Budgeted Expenditures	<u>\$ 5,069,000</u>	<u>\$ 7,272,399</u>	<u>\$ 6,664,764</u>	<u>\$ 607,635</u>

\* \$612,700 was budgeted fund balance

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**SPECIAL APPROPRIATIONS – Fund 90200**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	-	-	-	-
Budgeted Fund Bal.	-	-	482,558	482,558
Total Budgeted Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,558</u>	<u>\$ 482,558</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	482,558	(482,558)
Other	-	-	-	-
Total Budgeted Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,558</u>	<u>\$ (482,558)</u>

**NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION - BUDGETARY SCHEDULES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

The department has prepared budgetary schedules in the current year by program code. A reconciliation of the budgetary schedules to the financial statements has been prepared below.

	Revenue	Expenses	Net Change in Fund Balance
<b>Net Changes in fund balance per statement of revenues, expenditures and changes in fund balance</b>			
General Fund (90700 & 91500)	314,092,858	310,804,853	3,288,005
Special Revenue (90200)	6,690,545	7,147,322	(456,777)
TOTAL	320,783,403	317,952,175	2,831,228
<b>Net Changes in Fund Balance per Budget Schedules</b>			
General Appropriations:			
Program Support (P530)	12,432,781	14,876,924	(2,444,143)
Inmate Management and Control (P531)	261,513,859	259,075,727	2,438,133
Special Appropriations (Z Codes - 90700)	13,250,000	10,551,628	2,698,372
Probation and Parole (P534)	26,896,217	26,300,573	595,644
Community Corrections (P534)	6,690,545	6,664,764	25,781
Special Appropriations (Z Codes - 90200)	-	482,558	(482,558)
TOTAL	320,783,403	317,952,175	2,831,229

NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF SPECIAL APPROPRIATIONS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations	Prior Year Expenditures
For deferred maintenance at Corrections facilities statewide	Laws of 2016, Ch 101, Sect 5, Item 46	2016	90700	\$ 172,721	-
For inmate population growth & overtime in high-level custody prison facilities	Laws of 2015, Ch 101, Sect 5, Item 48	2015-2016	90700	\$ 7,000,000	4,186,589
To address deferred maintenance at Corrections facilities statewide	Laws of 2015, Ch 101, Sect 5, Item 49	2015-2016	90700	\$ 2,000,000	-
To document & archive materials from the NM penitentiary riot of 1980	Laws of 2015, Ch 101, Sect 5, Item 50	2015-2016	90700	\$ 50,000	-
For the planning phase to implement a commercial off the shelf offender mgmt program	Laws of 2015, Ch 101, Sect 7, Item 22	2015-2017	90700	\$ 500,000	-
For inmate population growth, the treatment of hepatitis C and other costs	Laws of 2016, Ch 11, Sect 5, Item 43	2016-2017	90700	\$ 13,000,000	-
For a transitional living pilot program	Laws of 2015, Ch 101, Sect 5, Item 47	2015-2016	90200	\$ 500,000	-
				<u>\$ 23,222,721</u>	<u>\$ 4,186,589</u>

NEW MEXICO CORRECTIONS DEPARTMENT  
 SCHEDULE OF SPECIAL APPROPRIATIONS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016

<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>Reserved Fund Balance</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balance</u>
172,721	-	-	-	-	-
2,813,411	-	-	-	-	-
1,168,925	-	-	831,075	-	-
49,958	-	42	0	-	-
164,799	-	-	335,201	-	-
6,181,772	-	-	6,818,228	-	-
482,558	-	-	17,442	-	-
<u>\$ 11,034,144</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 8,001,946</u>	<u>\$ -</u>	<u>\$ -</u>



**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

	Furniture	Tele- marketing	Cleaning Products*	SCF Horse Rescue	Textiles*	PNM Canteen
Revenue from Sales	\$ 234,609	\$ 28,401	\$ 462,318	\$ 5,851	\$ 907,154	\$3,273,964
Manufacturing Costs:						
Costs of Materials Used:						
Beginning Inventory - Materials	80,654	895	27,679	-	142,402	-
Materials Purchases	110,466	254	328,486	-	543,826	2,614,759
Net Material Transfers	-	-	-	-	-	-
Materials Available	191,120	1,149	356,165	-	686,228	2,614,759
Less Ending Inventory	(102,834)	(641)	(28,695)	-	(108,690)	-
Cost of Materials Used	88,286	508	327,470	-	577,538	2,614,759
Direct Labor - Inmate Pay	31,045	3,201	5,921	179	19,740	49,908
Manufacturing Overhead:						
Salaries	131,493	-	33,920	-	99,819	22,794
Benefits	69,408	-	18,788	-	40,311	6,751
In-State Travel	226	-	-	4,474	-	176
Maintenance & Repairs	8,338	-	226	11,029	5,768	2,752
Supplies	15,315	-	4,998	43,915	9,414	24,518
Contractual Services	2,000	-	-	14,814	-	-
Other Costs	1,431	1,079	975	140	3,307	2,530
Out-of-State Travel	-	-	-	-	-	-
Irrigation Fees	-	-	-	-	-	-
Depreciation	1,208	-	4,067	2,033	3,471	1,264
Miscellaneous	-	-	-	-	-	-
Total Manufacturing Overhead	229,419	1,079	62,974	76,405	162,090	60,785
Total Manufacturing Costs	348,750	4,788	396,365	76,584	759,368	2,725,452
Add Beginning Work in Process	72,181	-	-	-	-	-
Less Ending Work in Process	(101,436)	-	-	-	-	-
Total Cost of Goods Manufactured	319,495	4,788	396,365	76,584	759,368	2,725,452
Add Beginning Finished Goods	116,866	-	81,880	-	389,588	-
Less Ending Finished Goods	(88,979)	-	(79,662)	-	(396,886)	-
Net Finished goods Transfers	-	-	-	-	-	-
Total Cost of Goods Sold	347,382	4,788	398,583	76,584	752,070	2,725,452
Gross Profit	(112,773)	23,613	63,735	(70,733)	155,084	548,512
Allocated Overhead:						
Facility Overhead	(14,397)	-	-	-	-	-
Sales & Marketing	(1,684)	(204)	(3,320)	(42)	(6,513)	(23,506)
Distribution Center	(3,521)	(426)	(6,938)	(88)	(13,613)	(49,131)
Central Office	(106,267)	(10,958)	(20,269)	(611)	(67,567)	(170,834)
Capital Contribution (Transfer)	-	-	-	-	-	-
Other Income (Expense)	135	-	-	-	2,833	135,417
Net Income (Loss)	\$ (238,507)	\$ 12,025	\$ 33,208	\$ (71,474)	\$ 70,224	\$ 440,458

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

PNM Old Main	Santa Rosa Print	LLCC Farm	Sales & Marketing	Distribution Center	Central Office	Food Svcs Program
\$ 35,366	\$ 131,340	\$ 209,885	\$ -	\$ 110,717	\$ -	\$ 1,773,060
-	32,517	3,684	-	-	-	39,115
2,370	63,862	6,500	-	35,127	18,943	1,415,098
-	-	-	-	-	-	-
2,370	96,379	10,184	-	35,127	18,943	1,454,213
-	(37,112)	(2,662)	-	-	-	(68,470)
2,370	59,267	7,522	-	35,127	18,943	1,385,743
3,668	14,695	42,797	-	7,554	5,236	6,992
33,045	41,019	-	28,744	83,658	361,827	136,369
4,355	17,161	-	10,789	47,497	208,000	42,872
452	-	-	731	46,810	12,366	1,936
6,525	10,303	-	-	5,871	22,948	29,688
4,010	3,767	-	296	2,284	47,384	38,416
4,071	3,190	-	17,873	-	9,595	352,386
-	33,846	-	924	3,756	40,379	2,428
-	-	-	-	-	8,086	-
-	-	-	-	-	-	-
10,564	-	1,959	-	2,230	42,124	26,732
-	-	-	-	-	430	-
63,022	109,286	1,959	59,357	192,106	753,139	630,827
69,060	183,248	52,278	59,357	234,787	777,318	2,023,562
-	-	-	-	-	-	-
-	-	-	-	-	-	-
69,060	183,248	52,278	59,357	234,787	777,318	2,023,562
19,580	1,650	-	-	-	-	-
(19,580)	(2,347)	-	-	-	-	-
-	-	-	-	-	-	-
69,060	182,551	52,278	59,357	234,787	777,318	2,023,562
(33,694)	(51,211)	157,607	(59,357)	(124,070)	(777,318)	(250,502)
-	-	-	-	-	-	-
(879)	(943)	(1,507)	59,358	(795)	-	(12,730)
(1,836)	(1,971)	(3,150)	-	122,408	-	(26,607)
(12,555)	(50,299)	(146,492)	-	(25,857)	650,051	(23,932)
-	-	-	-	-	16,855	-
458	3,516	-	-	-	9,663	-
\$ (48,506)	\$ (100,908)	\$ 6,458	\$ 1	\$ (28,314)	\$ (100,749)	\$ (313,771)

\* Roll-up for Cleaning Products and Textiles on following pages.

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Drug Screening	PNM Livestock	PNM Bakery	Roswell Dairy Goat	Roswell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
\$ 840,296	\$ 7,212	\$ -	-	-	160,518	\$ -	\$ 8,180,691
-	-	-	-	-	-	-	\$ 326,946
836,012	-	-	-	-	143	-	\$ 5,975,846
-	-	-	-	-	-	-	-
836,012	-	-	-	-	143	-	6,302,792
-	-	-	-	-	-	-	\$ (349,104)
836,012	-	-	-	-	143	-	5,953,688
-	-	104	-	-	21,605	4,106	\$ 216,751
-	-	-	-	-	71,070	902	1,044,660
-	-	-	-	-	36,730	-	502,662
-	125	-	-	-	3,099	43	70,438
-	197	-	-	-	-	9,111	112,756
-	-	2,170	-	-	1,021	10,638	208,146
-	-	770	-	-	-	44,598	449,297
-	-	-	-	-	700	900	92,395
-	-	-	-	-	-	-	8,086
-	-	-	-	-	-	-	-
-	567	1,337	5,581	8,721	2,649	-	114,507
-	-	-	-	-	-	-	430
-	889	4,277	5,581	8,721	115,269	66,192	2,603,377
836,012	889	4,381	5,581	8,721	137,017	70,298	8,773,816
-	-	-	-	-	-	-	72,181
-	-	-	-	-	-	-	(101,436)
836,012	889	4,381	5,581	8,721	137,017	70,298	8,744,561
218,750	-	-	-	-	-	-	828,314
(198,325)	-	-	-	-	-	-	(785,779)
-	-	-	-	-	-	-	-
856,437	889	4,381	5,581	8,721	137,017	70,298	8,787,096
(16,141)	6,323	(4,381)	(5,581)	(8,721)	23,501	(70,298)	(606,405)
-	-	-	-	-	14,397	-	-
(6,033)	(52)	-	-	-	(1,150)	-	-
(12,610)	(108)	-	-	-	(2,409)	-	-
-	-	(356)	-	-	-	(14,054)	-
-	-	-	-	-	-	-	16,855
-	-	-	-	-	-	-	152,022
\$ (34,784)	\$ 6,163	\$ (4,737)	(5,581)	(8,721)	34,339	\$ (84,352)	\$ (437,528)

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES,  
FOR CLEANING PRODUCTS BY FACILITY  
For the Fiscal Year Ending June 30, 2016**

	WNMCF Cleaning Prod	WNMCF Plastics	Total Cleaning Products
Revenue from Sales	\$ 320,028	\$ 142,290	\$ 462,318
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	11,867	15,812	27,679
Materials Purchases	258,463	70,023	328,486
Net Material Transfers	-	-	-
Materials Available	<u>270,330</u>	<u>85,835</u>	<u>356,165</u>
Less Ending Inventory	<u>(8,309)</u>	<u>(20,386)</u>	<u>(28,695)</u>
Cost of Materials Used	<u>262,021</u>	<u>65,449</u>	<u>327,470</u>
Direct Labor - Inmate Pay	<u>2,696</u>	<u>3,225</u>	<u>5,921</u>
Manufacturing Overhead:			
Salaries	25,026	8,894	33,920
Benefits	13,851	4,937	18,788
In-State Travel	-	-	-
Maintenance & Repairs	-	226	226
Supplies	1,328	3,670	4,998
Contractual Services	-	-	-
Other Costs	975	-	975
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	226	3,841	4,067
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	<u>41,406</u>	<u>21,568</u>	<u>62,974</u>
Total Manufacturing Costs	306,123	90,242	396,365
Add Beginning Work in Process	-	-	-
Less Ending Work in Process	-	-	-
Total Cost of Goods Manufactured	<u>306,123</u>	<u>90,242</u>	<u>396,365</u>
Add Beginning Finished Goods	74,881	6,999	81,880
Less Ending Finished Goods	(66,570)	(13,092)	(79,662)
Net Finished goods Transfers	-	-	-
Total Cost of Goods Sold	<u>314,434</u>	<u>84,149</u>	<u>398,583</u>
Gross Profit	5,594	58,141	63,735
Allocated Overhead:			
Facility Overhead	-	-	-
Sales & Marketing	(2,298)	(1,022)	(3,320)
Distribution Center	(4,803)	(2,135)	(6,938)
Central Office	(9,227)	(11,042)	(20,269)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	<u>\$ (10,734)</u>	<u>\$ 43,942</u>	<u>\$ 33,208</u>

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES,  
FOR TEXTILES BY FACILITY  
For the Fiscal Year Ending June 30, 2016**

	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 413,579	\$ -	\$ 493,575	\$ 907,154
Manufacturing Costs:				
Costs of Materials Used:				
Beginning Inventory - Materials	106,181	36,221	-	142,402
Materials Purchases	193,609	11,895	338,322	543,826
Net Material Transfers	-	-	-	-
Materials Available	<u>299,790</u>	<u>48,116</u>	<u>338,322</u>	<u>686,228</u>
Less Ending Inventory	<u>(84,363)</u>	<u>(24,327)</u>	<u>-</u>	<u>(108,690)</u>
Cost of Materials Used	<u>215,427</u>	<u>23,789</u>	<u>338,322</u>	<u>577,538</u>
Direct Labor - Inmate Pay	<u>16,367</u>	<u>-</u>	<u>3,373</u>	<u>19,740</u>
Manufacturing Overhead:				
Salaries	90,925	-	8,894	99,819
Benefits	35,374	-	4,937	40,311
In-State Travel	-	-	-	-
Maintenance & Repairs	5,768	-	-	5,768
Supplies	9,292	-	122	9,414
Contractual Services	-	-	-	-
Other Costs	3,307	-	-	3,307
Out-of-State Travel	-	-	-	-
Irrigation Fees	-	-	-	-
Depreciation	3,471	-	-	3,471
Loss on Disposal of Equipment	-	-	-	-
Miscellaneous	-	-	-	-
Total Manufacturing Overhead	<u>148,137</u>	<u>-</u>	<u>13,953</u>	<u>162,090</u>
Total Manufacturing Costs	379,931	23,789	355,648	759,368
Add Beginning Work in Process	-	-	-	-
Less Ending Work in Process	-	-	-	-
Total Cost of Goods Manufactured	<u>379,931</u>	<u>23,789</u>	<u>355,648</u>	<u>759,368</u>
Add Beginning Finished Goods	98,196	95,692	195,700	389,588
Less Ending Finished Goods	<u>(87,831)</u>	<u>(95,692)</u>	<u>(213,363)</u>	<u>(396,886)</u>
Net Finished goods Transfers	-	-	-	-
Total Cost of Goods Sold	<u>390,296</u>	<u>23,789</u>	<u>337,985</u>	<u>752,070</u>
Gross Profit	23,283	(23,789)	155,590	155,084
Allocated Overhead:				
Facility Overhead	-	-	-	-
Sales & Marketing	(2,969)	-	(3,544)	(6,513)
Distribution Center	(6,206)	-	(7,407)	(13,613)
Central Office	(56,022)	-	(11,545)	(67,567)
General Fund Subsidy	-	-	-	-
Other Income (Expense)	<u>2,833</u>	<u>-</u>	<u>-</u>	<u>2,833</u>
Net Income (Loss)	<u>\$ (39,081)</u>	<u>\$ (23,789)</u>	<u>\$ 133,094</u>	<u>\$ 70,224</u>

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENSES – BUDGET AND ACTUAL  
For the Fiscal Year Ending June 30, 2016**

**CORRECTIONS INDUSTRIES DIVISION**

<b>Revenues</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance Favorable</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>(Unfavorable)</b>
Printing and Reproduction	\$ -	\$ -	\$ -	\$ -
Sales	11,855,600	11,855,600	8,180,691	(3,674,909)
Other	-	-	-	-
Farm Products	-	-	-	-
Micrographic, Data Entry & Telemarketing Services	-	-	-	-
Interest on Deposits	2,400	2,400	6,483	4,083
Capital Contribution (Transfer from General Fund)	-	-	16,855	16,855
Other Revenue	4,500	4,500	145,539	141,039
Total Revenues	11,862,500	11,862,500	8,349,568	(3,512,932)
Budgeted Fund Balance	-	-	437,528	437,528
<b>Total Budgeted Revenues</b>	<b>\$ 11,862,500</b>	<b>\$ 11,862,500</b>	<b>\$ 8,787,096</b>	<b>\$ (3,075,404)</b>
<b>Expenditures</b>				
Personal Services & Employee Benefits	\$ 1,570,200	\$ 1,570,200	\$ 1,547,322	\$ 22,878
Contractual Services	735,900	735,900	449,298	286,602
Other	9,556,400	9,556,400	6,675,970	2,880,430
<b>Total Budgeted Expenditures</b>	11,862,500	11,862,500	8,672,590	3,189,910
<b>Non-Budgeted Expenditures</b>				
Depreciation Expense	-	-	114,507	(114,507)
<b>Total Budgeted and Non-Budgeted Expenditures</b>	<b>\$ 11,862,500</b>	<b>\$ 11,862,500</b>	<b>\$ 8,787,096</b>	<b>\$ 3,075,404</b>

NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
For the Fiscal Year Ending June 30, 2016

	Balance as of June 30, 2015	Additions	Deletions	Balance as of June 30, 2016
<b>ASSETS</b>				
Cash	\$ 2,182,909	\$ -	\$ (38,221)	\$ 2,144,688
Due from Others	346,242	66,224		412,466
Total Assets	<u>2,529,151</u>	<u>66,224</u>	<u>(38,221)</u>	<u>2,557,154</u>
<b>LIABILITIES</b>				
Due to Others	547,054	59,421		606,475
Deposits Held for Others	1,982,097	-	(31,418)	1,950,679
Total Liabilities	<u>2,529,151</u>	<u>\$ 59,421</u>	<u>\$ (31,418)</u>	<u>\$ 2,557,154</u>

NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF VENDORS  
For the Fiscal Year Ending June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
	LEASE	ASHBAUGH CONSTRUCTION CO INC	Winner	\$72,813.30		TorC, NM	NA	NA	Rent for Las Cruces Probation Office	N/A
507701504961	AGENCY PA	ASSOCIATION OF STATE CORRECTIONAL	Winner	\$68,725.00		Hagerstown, MD	NA	NA	Security Staffing Study	N/A
	EXEMPT	BIOTECH SCREENING LLC	Winner	\$96,000.00		Roseville, CA	NA	NA	Drug Testing	N/A
	EXEMPT	BIOTECH SCREENING LLC	Winner	\$564,943.75		Roseville, CA	NA	NA	Drug Testing	N/A
	EXEMPT	BIOTECH SCREENING LLC	Winner	\$87,500.00		Roseville, CA	NA	NA	Drug Testing	N/A
	EXEMPT	CENTRAL NM CORRECTIONAL FACILITY	Winner	\$437,786.02		Los Lunas, NM	NA	NA	Inmate Incentive Pay	N/A
	EXEMPT	CENTRAL VALLEY ELECTRIC CO-OP	Winner	\$78,484.21		Artesia, NM	NA	NA	Utilities	N/A
	EXEMPT	CENTRIC GROUP LLC, THE	Winner	\$2,389,981.61		St. Louis, MO	NA	NA	Commodities for inmates	N/A
	EXEMPT	CLAYTON, TOWN OF	Winner	\$16,819,896.88		Clayton, NM	NA	NA	Inmate Housing	N/A
	EXEMPT	CONTINENTAL DIVIDE ELECTRIC COOP INC	Winner	\$304,395.88		Grants, NM	NA	NA	Electrical Utilities	N/A
1477013000010	PSA	CORRECTIONS CORPORATION OF AMERICA	Winner	\$290,306.00		Nashville, TN	NA	NA	Inmate Management Services	N/A
60-770-15-05035	SOLE SOURCE	CORRECTIONS CORPORATION OF AMERICA	Winner	\$16,500,000.00		Nashville, TN	NA	NA	Inmate Management Services	N/A
	LEASE	DON JR/BARBARA A ELWELL REVST	Winner	\$61,889.76		Roswell, NM	NA	NA	Rent for Roswell Probation Office	N/A
	EXEMPT	DONA ANA COUNTY	Winner	\$135,000.00		Las Cruces, NM	NA	NA	Detention Costs	N/A
	EXEMPT	EASTERN NEW MEXICO UNIVERSITY-ROSWELL	Winner	\$69,530.23		Roswell, NM	NA	NA	Postsecondary and Vocational Educa.	N/A
	EXEMPT	EL PASO ELECTRIC COMPANY	Winner	\$425,721.00		El Paso, TX	NA	NA	Utilities	N/A
	EXEMPT	GRANTS, CITY OF	Winner	\$333,229.83		Grants, NM	NA	NA	Sewer and refuse	N/A
	LEASE	HAM LLC	Winner	\$92,431.68		Tome, NM	NA	NA	Rent for Los Lunas Probation Office	N/A
407701404776	AGENCY PA	HODGES OIL COMPANY INC	Winner	\$66,373.08		Belen, NM	NA	NA	Fuel	N/A
	LEASE	JUMP REAL ESTATE INVESTMENTS LLC NO 1	Winner	\$100,941.96		Albq, NM	NA	NA	Rio Ranch Probation Office Rent	N/A
	EXEMPT	LABATT INSTITUTIONAL SUPPLY COMPANY	Winner	\$533,500.00		Albq, NM	NA	NA	Food Services	N/A
	EXEMPT	LABATT INSTITUTIONAL SUPPLY COMPANY	Winner	\$850,000.00		Albq, NM	NA	NA	Food Services	N/A
	EXEMPT	LAS CRUCES, CITY OF	Winner	\$367,105.00		Las Cruces, NM	NA	NA	Sewage and Garbage	N/A
	EXEMPT	LOS LUNAS, VILLAGE OF	Winner	\$473,721.46		Los Lunas, NM	NA	NA	Water usage	N/A
	EXEMPT	NATURAL GAS PROCESSING CO	Winner	\$136,653.18		Ruidoso Downs, NM	NA	NA	Natural Gas	N/A
	EXEMPT	PUBLIC SERVICE COMPANY OF NM	Winner	\$134,027.46		Albq, NM	NA	NA	Utilities	N/A
	EXEMPT	PUBLIC SERVICE COMPANY OF NM	Winner	\$449,858.88		Albq, NM	NA	NA	Utilities	N/A
	EXEMPT	PUBLIC SERVICE COMPANY OF NM	Winner	\$559,078.64		Albq, NM	NA	NA	Utilities	N/A
	EXEMPT	SANTA FE COUNTY	Winner	\$181,478.04		Santa Fe, NM	NA	NA	Water usage	N/A
	EXEMPT	SANTA FE COUNTY	Winner	\$123,564.00		Santa Fe, NM	NA	NA	Water usage	N/A
007700003532	AGENCY PA	SECURUS TECHNOLOGIES INC	Winner	\$224,777.05		Dallas, TX	NA	NA	Inmate Phone Cards	no cost state we are
	EXEMPT	SPRINGER ELECTRIC COOP INC	Winner	\$167,373.41		Springer, NM	NA	NA	utilities	N/A
	EXEMPT	SPRINGER, TOWN OF	Winner	\$68,650.00		Springer, NM	NA	NA	Water usage	N/A
	LEASE	TIERRA BLANCA GALLERIA LLC	Winner	\$67,705.26		Clovis, NM	NA	NA	Rent Clovis Probation/Parole Office	N/A
	EXCLUDED (13-1-99C)	TRANSPORTATION EQUIPMENT SALES CORP	Winner	\$197,548.00		Oregon, OR	Yes	NA	Prisoner Transport Bus	N/A



NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF VENDORS  
For the Fiscal Year Ending June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
	LEASE	WARNER PLAZA LLC	Winner	\$127,859.40		Santa Fe, NM 87507	NA	NA	Rent Santa Fe Probation Office	N/A
607700015EM039	EMERGENCY	COMMUNITY EDUCATION CENTERS	Winner	\$531,111.06		West Caldwell, NJ	NA	NA	Residential Treatment for Parolees	N/A
507701504927	RFP	COMMUNITY EDUCATION CENTERS	Winner	\$15,280,246.72	\$566,508.00	West Caldwell, NJ	NA	NA	Behavioral Health Services	N/A
507701504927	RFP	EAGLES UNLIMITED	Winner	\$499,000.00	\$559,000.00	Albuquerque, NM	NA	NA	Behavioral Health Services	N/A
507701504927	RFP	INTERFAITH LEAP	Winner	\$1,001,454.00	\$285,000.00	Pena Blanca, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	ALBUQUERQUE BEHAVIORAL HEALTH	Winner	\$235,000.00	\$15,000.00	Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	CROSSROADS FOR WOMEN	Winner	\$2,973,173.00		Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	JOURNEY'S	Winner	\$1,520,000.00	\$400,000.00	Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	BEHAVIORAL HEALTHCARE SERVICES	Winner	\$340,000.00	\$60,000.00	Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	LA CLINICA DE FAMILIA	Winner	\$220,000.00	\$20,000.00	Las Cruces, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	LA PASADA	Winner	\$1,792,000.00	\$83,000.00	Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	PRESBYTERIAN MEDICAL SERVICES	Winner	\$310,621.00	\$40,000.00	Santa Fe, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	THE LIFELINK	Winner	\$220,000.00	\$20,000.00	Santa Fe, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	HUMAN RESOURCES DEVELOPMENT ASSOC.	Winner	\$326,400.00		Taos, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	TRANSITION FOR LIVING	Winner	\$550,000.00	\$50,000.00	Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	VALLE DEL SOL	Winner	\$238,000.00		Phoenix, AZ	NA	NA	Behavioral Health Services	N/A
507701504927	RFP	A NEW AWAKENING	Winner	\$340,000.00		Albuquerque, NM	Yes	NA	Behavioral Health Services	N/A
507701504927	RFP	CANYON LIGHT	Winner	\$480,000.00		Alamogordo, NM	Yes	NA	Behavioral Health Services	N/A
607700015EM046	EMERGENCY	RT ELECTIRC	Winner	\$195,844.73		Las Cruces, NM	NA	NA	Electrical SERVICES	N/A
607701505163	RFP	CENTURION CORRECTIONAL HEALTHCARE OF NM, LLC	Winner	\$41,000,000 Medical Services \$11,000,000.00 Pharmacy Services		Vienna, VA	NA	NA	Inmate Medical Services	N/A
RFP #60-770-15-05163	RFP-Inmate Medical Service	Correct RX Pharmacy Services, Inc.	Loser	\$41,000,000 Medical Services \$11,000,000.00 Pharmacy Services		Correct RX Pharmacy Services, Inc. 1352 Charwood Road, Suite C Hanover, Maryland 21076	NA	NA	Inmate Medical Services	N/A
RFP #60-770-15-05163	RFP-Inmate Medical Service	Corizon Health	Loser	\$41,000,000 Medical Services \$11,000,000.00 Pharmacy Services		103 Powel Court Brentwood, TN 37027	NA	NA	Inmate Medical Services	N/A
RFP #60-770-15-05163	RFP-Inmate Medical Service	Diamond Pharmacy Services	Loser	\$41,000,000 Medical Services \$11,000,000.00 Pharmacy Services		645 Kotler Drive Indiana, PA 15701	NA	NA	Inmate Medical Services	N/A
RFP #60-770-15-05163	RFP-Inmate Medical Service	Wexford Health Sources	Loser	\$41,000,000 Medical Services \$11,000,000.00 Pharmacy Services		425 Holiday Drive Pittsburgh, PA 15220	NA	NA	Inmate Medical Services	N/A

**NEW MEXICO CORRECTIONS DEPARTMENT  
PERFORMANCE MEASURES  
For the Fiscal Year Ending June 30, 2016**

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

Type	Measure	FY16 Target	FY16 Result	Met Target	Year-End Results Narrative
<b>Agency: 77000 Corrections Department</b>					
<b>Program: P530 Program Support</b>					
The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, personnel management and cost-effective management information system services.					
Outcome	Percent turnover of probation and parole officers	10%	10%	<input checked="" type="checkbox"/>	
Outcome	Percent turnover of correctional officers in public facilities	10%	13%	<input type="checkbox"/>	NMCD is unable to meet the target for Correctional Officer turnover. Low and non-competitive pay is the primary reason for the turnover. Reviews of exit surveys show officers resign due to low pay, excessive overtime that keeps them from their families and unsafe work conditions. The unsafe conditions include lack of staff, aging facilities and policy directive to house fewer inmates in restrictive housing
Output	Graduation rate of correctional officer cadets from the corrections department training academy	90%	78.6%	<input type="checkbox"/>	The percentage in the preceding column accounts for correctional officers only and does not account for graduation and attrition of probation/parole officers. Probation/parole officers are tracked by the Probation/Parole Division. Santa Fe Academies (Breakdown of Attrition): 23 cadets resigned; 4 cadets dismissed from academy; 2 no shows; 2 cadets quit/resigned prior to attending the academy. Satellite Academies: 11 cadets resigned; 1 cadet dismissed; 3 no shows
Outcome	Percent of employee union grievances resolved prior to arbitration	98%	98%	<input checked="" type="checkbox"/>	
Quality	Percent of audit findings resolved from prior year	75%	33%	<input type="checkbox"/>	NMCD has addressed the findings that have been reported through the audit. Each finding has resulted in a corrective action plan with associated monitoring plan.
<b>Program: P531 Inmate Management and Control</b>					
The purpose of the inmate management and control program is to incarcerate in a humane, professionally sound manner offenders sentenced to prison and to provide safe and secure prison operations. This includes quality hiring and in-service training of correctional officers, protecting the public from escape risks and protecting prison staff, contractors and inmates from violence exposure to the extent possible within budgetary resources.					
Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations	20%	17.0	<input checked="" type="checkbox"/>	
Output	Percent of eligible inmates who earn a general educational development certificate	75%	76%	<input checked="" type="checkbox"/>	
Output	Percent of participating inmates who have completed adult basic education	50%	52%	<input checked="" type="checkbox"/>	

**NEW MEXICO CORRECTIONS DEPARTMENT  
PERFORMANCE MEASURES  
For the Fiscal Year Ending June 30, 2016**

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

Type	Measure	FY16 Target	FY16 Result	Met Target	Year-End Results Narrative
Outcome	Percent of prisoners reincarcerated into the corrections department system within thirty-six months due to new charges or pending charges	20%	21.8%	<input type="checkbox"/>	This measure reflects the percentage of individuals reincarcerated back into the corrections department due to new or pending charges, this measure captures data on inmates released during FY11. From FY09 to FY12 (the years prior to the release of these inmates) New Mexico was in an economic downturn that impacted the state's General Fund. Over this period, the NMCD budget was reduced by 12.6%, or \$40.04 million. These budget cuts severely impacted NMCD's capacity to sustain re-entry programs vital to an inmate's success outside of prison. NMCD remains committed to reducing recidivism in New Mexico, as a matter of public safety and as a cost-saving mechanism for our state. To this end, NMCD has made significant efforts in reducing recidivism and is moving towards investments in evidence based programming.
Outcome	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	15%	47%	<input type="checkbox"/>	Addiction is a chronic illness, and as a result, 40 to 60 percent of people who have an addiction relapse at least once. Many factors related to prevention of relapse have to do with continuing care in the inmate's community, social supports, and even possibly a change in their environment. There is a lack of substance abuse treatment centers in New Mexico and waiting lists are long for many treatment programs. This combined with the fact that many of our inmates return to their previous neighborhood upon release makes sobriety difficult. NMCD is partnering with an outpatient community program in an attempt to make aftercare services more effective and accessible to former inmates once released in order to attempt to combat this difficulty. We are also looking at a way to handoff these inmates to aftercare programs in the community more effectively, such as referrals, etc.
Output	Number of inmate-on-inmate assaults with serious injury	10	21	<input type="checkbox"/>	
Output	Number of inmate-on-staff assaults with serious injury	4	9	<input type="checkbox"/>	
Output	Number of escapes from a publicly run corrections department facility	0	3	<input type="checkbox"/>	NMCD has upgraded equipment conducted training and has revised policies related to transports, inmate accountability and classification.
Output	Number of escapes from a secure, privately operated corrections department facility	0	0	<input checked="" type="checkbox"/>	
Outcome	Percent of standard healthcare requirements met by medical contract vendor	100%	97%	<input type="checkbox"/>	Due to sick call due to nursing and security shortages and improvement in health maintenance.
Output	Percent of inmate grievances resolved informally	85%	85%	<input checked="" type="checkbox"/>	

**NEW MEXICO CORRECTIONS DEPARTMENT  
PERFORMANCE MEASURES  
For the Fiscal Year Ending June 30, 2016**

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

Type	Measure	FY16 Target	FY16 Result	Met Target	Year-End Results Narrative
Outcome	Percent of sex offenders reincarcerated on a new sex offense conviction within thirty-six months of release on the previous sex offense conviction	15%	0%	<input checked="" type="checkbox"/>	
Outcome	Percent of release-eligible female inmates still incarcerated past their scheduled release date	10%	10%	<input checked="" type="checkbox"/>	
Output	Percent of random monthly drug tests administered to at least ten percent of the inmate population that test positive for drug use	<1.5%	1.86%	<input type="checkbox"/>	The increase in positive drug tests is a direct result of the influx of suboxone.
Outcome	Percent of release eligible male inmates still incarcerated past their scheduled release date	10%	9.4%	<input checked="" type="checkbox"/>	
Outcome	Percent of sex offenders incarcerated receiving sex offender treatment	75%	75%	<input checked="" type="checkbox"/>	
Outcome	Percent of inmates pre-enrolled in medicaid at the time of release	95%	71%	<input type="checkbox"/>	NMCD continues to prioritize medicaid pre-enrollments through partnerships with HSD. NMCD improved every quarter and expects to reach target in FY17.
<b>Program: P533 Corrections Industries</b>					
The purpose of the corrections industries program is to provide training and work experience opportunities for inmates to instill a quality work ethic and to prepare them to perform effectively in an employment position and to reduce idle time of inmates while in prison.					
Outcome	Percent of inmates receiving vocational or educational training assigned to corrections industries	>20%	24%	<input checked="" type="checkbox"/>	
Outcome	Percent of inmate hours lost due to security issues	<10%	8%	<input checked="" type="checkbox"/>	
<b>Program: P534 Community Offender Management</b>					
The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.					
Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	92%	95%	<input checked="" type="checkbox"/>	PPD has adopted a Community Based Supervision Model requiring PPD Officers who supervise high risk offenders to conduct face to face contacts in the community and not in a traditional office setting. This supervision approach coupled with Evidence Based Treatment has proven effective in reducing recidivism.
Quality	Average standard caseload per probation and parole officer	95	109	<input type="checkbox"/>	PPD has a total of 378 FTE, PPD was funded for 304 positions in FY17. Leaving 64 positions unfunded. Even with all PPO positions filled caseloads will not meet performance measures of 95. PPD continues to hire and fill positions as allowed by budget constraints and continues to utilize our human capital to the best of our ability to provide effective supervision.

NEW MEXICO CORRECTIONS DEPARTMENT  
 PERFORMANCE MEASURES  
 For the Fiscal Year Ending June 30, 2016

DFA Performance Based Budgeting Data System  
 Annual Performance Report

Type	Measure	FY16 Target	FY16 Result	Met Target	Year-End Results Narrative
Output	Average community corrections program caseload per probation and parole officer	32	32	<input checked="" type="checkbox"/>	
Output	Percent of absconders apprehended	26%	31%	<input checked="" type="checkbox"/>	
Output	Number of offenders on the waiting list for intensive or high-risk supervision	<50	<40	<input checked="" type="checkbox"/>	
Output	Percent of male offenders who graduate from the men's recovery center and are reincarcerated within thirty-six months	25%	18%	<input checked="" type="checkbox"/>	On going evaluation of program, conduct regular audits to ensure contract provider performance measures are met. In addition to measuring program fidelity, it is important to collect data on offender outcomes that can indicate what strategies and programs are most effective at successfully rehabilitating offenders. For example, if a substantial number of offenders enrolled in a particular program end up violating their probation terms, this could indicate that the program is not effective. More importantly, program outcome data will enable PPD policy makers to evaluate, replace ineffective programs, improve underperforming programs, and expand successful programs. Data on program outcomes can also help determine which programs are most cost-effective in reducing recidivism and thus assist policy makers in the allocation of limited financial resources for probation.
Output	Percent of female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	25%	18%	<input checked="" type="checkbox"/>	On going evaluation of program, conduct regular audits to ensure contract provider performance measures are met. In addition to measuring program fidelity, it is important to collect data on offender outcomes that can indicate what strategies and programs are most effective at successfully rehabilitating offenders. For example, if a substantial number of offenders enrolled in a particular program end up violating their probation terms, this could indicate that the program is not effective. More importantly, program outcome data will enable PPD policy makers to evaluate, replace ineffective programs, improve underperforming programs, and expand successful programs. Data on program outcomes can also help determine which programs are most cost-effective in reducing recidivism and thus assist policy makers in the allocation of limited financial resources for probation.

Timothy M. Keller  
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA  
Deputy State Auditor

State of New Mexico  
**OFFICE OF THE STATE AUDITOR**

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

Mr. David Jablonski, Acting Secretary, Corrections Department  
New Mexico Corrections Department

We have audited, 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 business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds, of the State of New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Department, presented as supplemental information, and have issued our report thereon dated November 30, 2016.

**Internal Control over Financial Reporting**

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

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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items 2011-006, 2016-005, and 2016-006.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items 2011-002, 2015-001, 2016-003, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, and 2016-013.

## Compliance and Other Matters

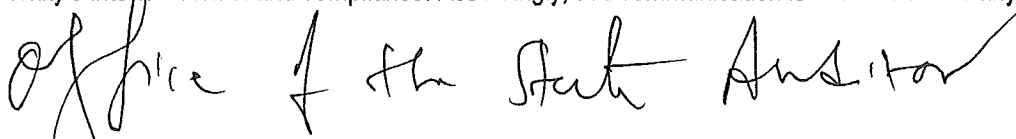
As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material 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 2011-003, 2011-004, 2012-001, 2012-003, 2015-002, 2016-001, 2016-002 and 2016-004.

## Department's Responses to the Findings

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

## Purpose of this Report

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



Office of the State Auditor  
Santa Fe, New Mexico  
November 30, 2016

STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 SCHEDULE OF FINDINGS AND RESPONSES  
 JUNE 30, 2016

**Summary Schedule of Prior Year Audit Findings**

2011-002	Contract Billing and Rates Applied	Repeated/Modified
2011-003	Lack of maintaining a tracking log for receiving money order, checks, or cash to ensure properly making deposits within the required time periods	Repeated/Modified
2011-004	Domicile to Duty Vehicle	Repeated/Modified
2011-006	Medical Services Contract	Repeated/Modified
2011-007	Missing Capital Assets	Resolved
2012-001	Residential Housing/Trailer Court Benefits at Facilities	Repeated/Modified
2012-003	Compensated Absences	Repeated/Modified
2014-001	Payroll - Lack of Supporting Documentation (Background Checks)	Resolved
2015-001	Internal Controls over Disbursements	Repeated/Modified
2015-002	Payroll – Lack of Supporting Documentation (I-9s)	Repeated/Modified
2015-003	Lack of Supporting Documentation to Support Performance Measures Calculations	Resolved
FA2015-004	No Inventory of Equipment and Real Property	Resolved



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**2011-002 Contract Billing and Rates Applied – (Repeat and Modified) (Significant Deficiency)**

*Condition:*

During our review the contract between the New Mexico Corrections Department (NMCD) and a municipality we noted verbiage that is unclear to the reader. The contract terms use a schedule to determine the annual rate, which is used in the calculation of the standard per diem rate per inmate per day. This rate includes facility fees, base service fees, incremental service fees and a monthly restoration to population program (RPP) fee. We found that the schedule does not properly total and neither the contract provisions nor the schedule provide clear guidance as to how NMCD should apply the rates. Further, we found that there was not documentation provided to substantiate the rate increases that have occurred since the signing of the contract.

In addition we noted one instance out of six payment vouchers for the municipality totaling \$113 were NMCD separately reimbursed the municipality for special diet.

Although management amended the contract in the current fiscal year, the revised contract did not fully address the concerns noted.

*Criteria:*

Proper accounting practices require adherence to contract requirements. Contracts should only be entered into when terms and requirements are clearly established.

The contract states in, "Section 21.0 Food Service: "Restricted or special diets, prescribed by recognized medical or religious authority, will be provided as required."

*Effect:*

Without clear contract terms, NMCD may interpret the verbiage incorrectly within the contract. Also, the Department may have overpaid for an item.

*Cause:*

The summation of the facility use fees, base fees, incremental service fees and monthly RRP fee totals do not correctly total, and is therefore unclear as to the correct monthly charges. Further, without proper documentation to support annual increases it is unclear what the agency needs to pay to the municipality.

*Auditors' Recommendation:*

NMCD should only enter into contracts when contract terms are clearly stated and documented. The ambiguity in the contract and the schedule need to be corrected and documentation regarding the annual increase needs to be retained. In addition, we recommend that the Department review the contract to ensure that all aspect of the contract are being followed.

*Management Response:*

The Department agrees that an amendment to the Agreement needs to be drafted to address the deficiencies and clarifications in the fees methodology. An amendment will be completed by the Procurement Manager by the end of the fiscal year. The Department will do as recommended and ensure reconciliations are completed between the contract and invoices at each facility by the Business Managers.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**2011-003 Lack of Maintaining a Tracking Log for Receiving Money Orders, Checks, or Cash to Ensure Tracking of Deposits within the Required Time Periods-Repeated and Modified- (Other Non-Compliance)**

*Condition:*

During our internal control testwork on cash receipt we noted one deposit, out of forty tested, of \$7213.34 which was not deposited within the required period.

Also, during our internal control testwork on inmate trust account cash receipt we noted one deposit (NENMDF), out of thirty tested, of \$40.00 which was not deposited within the required period.

Per results of testwork, it appears that NMCD has made progress towards implementing the corrective action plan from prior year, however, the department needs to continue to work with staff to ensure they are following policies and procedures.

*Criteria:*

According to Section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978 provided, shall be paid into the state treasury, before the close of the next succeeding business day after the receipt of the money.

*Effect:*

The Department is not maintaining adequate controls over cash receipts, which increases the risk of theft or embezzlement.

*Cause:*

Responsible individuals were not properly following procedures and there was a lack of enforcement of Department policies.

*Auditors' Recommendation:*

The Department should ensure staff is properly trained and deposits monies in a timely manner.

*Management Response:*

The Department will continue to reiterate the importance of processing deposits within the required time period. As a reminder to the business offices, a memo will be sent out by the Accounting Manager at completion of the audit.

**2011-004 Domicile to Duty Vehicle-Repeated and Modified-(Other Non-Compliance)**

*Condition:*

We noted, out of ten items tested, the following instances of non-compliance with policies and procedures related to domicile to duty usage of vehicles:

- In one instance, a mileage log was recreated based on mileage estimates from google maps and the driver's travel calendar for the periods between May 25, 2016 and August 15, 2016 after the request for the sample was sent on August 9<sup>th</sup>, 2016;
- In one instance, vehicle assigned is not an actual take home vehicle, and therefore should not have been included in the population listing;

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**2011-004 Domicile to Duty Vehicle-Repeated and Modified-(Other Non-Compliance) - continued**

- In three instances, the acknowledgment forms were signed after the vehicle was assigned to the individual. Two of these were signed after the sample was requested.

Further, the auditor was unable to determine whether a complete and accurate population list was provided. The first population provided contained 33 additional names over the population tested in the prior year with no explanation for the significant increase in the number of assigned Domicile to Duty Vehicles. Seven of the names in the first population were duplicate names. The second population provided contained 2 duplicate drivers and 27 drivers who were not included on the first list, and omitted 2 key individuals who have historically had a Domicile to Duty vehicle assigned to them. The second population also contained 7 vehicles shown as unassigned which were shown as assigned in the first population.

Per the results of the testwork, NMCD management appears to have made limited progress in ensuring that employees maintained vehicle logs and the other forms required by New Mexico Administrative Code and Department Policy.

*Criteria:*

Department's Use of State and Privately Owned Motor Vehicles Policy #CD-022000 establishes the guidelines for maintaining a car log, submission and recording of usage in employee timesheet, earnings reporting on an employee's paycheck, employee positions qualified for domicile-to-duty, and the required documents acknowledging the policy and for tracking mileage.

*Effect:*

The Department is in not in compliance with its policies related to domicile to duty usage of vehicles. Further, the Department does not have an adequate system of internal controls in relation to the tracking and use of state vehicles.

*Cause:*

The Department's monitoring procedures that are in place to review domicile to duty vehicle usage are not being followed. In addition, some individual employees are not following the policy related to the use of state vehicles by not completing mileage logs and/or the required forms.

*Auditors' Recommendation:*

The Department should maintain and review an updated roster or listing of domicile to duty employees and ensure that those employees are in compliance with Department policy by completing the required forms and monthly mileage logs.

*Management Response:*

The Department will meet with all business managers to discuss the audit findings and the importance of completing their monthly reports accurately. A new excel spreadsheet has been generated to include all information that is relevant to requirements of the Policies and Procedures. A check list of all relevant necessary documentation was created in February 2017 for process vehicle assignments. Acknowledgment Forms will be signed before keys to vehicles are released to the assignee. This will be completed immediately by the Fleet Coordinator supervisor or designee.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2011-006 Medical Services Contract – Repeated and Modified (Material Weakness)**

*Condition:*

During the fiscal year, the Department ended their contract with Corizon at the end of May and awarded 2 contracts with Centurion based on a Request for Proposals (RFP) process. The Centurion contracts included one contract for the medical services, and a separate contract for pharmaceutical services. These contracts began on June 1, 2016.

Corizon

- The Department paid the final invoices to Corizon in full without properly taking into account credits that were owed to NMCD. Credits outstanding as of October 28<sup>th</sup>, 2016, consisted of \$572,514; however, the Department does not anticipate receiving these funds.
- Although the Medical Director had 2 doctors available to her for evaluating the services provided by the Medical Services Contractor, these doctors are employed by the Contractor. Since the doctors are employed by the Contractor, this is an apparent conflict of interest as the doctors are evaluating the quality of service of their employer. This process is the same under the new contract with Centurion.

Request for Proposals for Medical Contract

- Although two separate contracts were awarded, one for pharmaceutical services and one for medical services, the Department only maintained the documentation to support one evaluation for the overall contract. The evaluations provided show that all of the vendors were evaluated the same regardless of whether they were offering pharmaceutical only services, or also offering to provide the medical services contract. Based on evaluation scores, one of the pharmaceutical only vendors scored the highest on the overall bid; however, this vendor was ultimately not awarded a contract, and would not have been providing the full range of services requested.

Per the results of testwork, it appears that the Department has made limited progress towards implementing the prior year corrective action plan.

*Criteria:*

All costs should be completely supported before they are approved for payment; invoices should be processed only when they adequately detail all costs that support what is being charged in the invoice. Section 13-1-158 NMSA 1978 establishes: "No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code [13-1-28 NMSA 1978]."

The pharmaceutical services proposals and the medical services provider proposals should have been evaluated separately during the RFP process. Additionally, the evaluation team should consist of individuals who have an understanding of the services to be provided, to ensure a fair and effective evaluation of the proposals.

*Cause:*

Department staff were instructed to pay the final invoices from Corizon without consideration of any pending credits due to the State. Lack of internal controls over the conflict of interest associated with the monitoring of quality of care and other aspects of the medical services provider and pharmaceutical provider contracts.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2011-006 Medical Services Contract – Repeated and Modified (Material Weakness) – continued**

*Effect:*

The Department overpaid the medical services provider \$572,514, based on calculated credits owed, and as of the date of the report, the provider has not refunded the amounts in the 6 month period following the termination of their contract. The Doctors available for use in reviewing the quality of care provided work for the company that they are reviewing, and therefore, may not be as objective in their review and analysis.. Bid evaluations are misleading as all vendors were compared the same regardless of services provided based on documentation maintained.

*Recommendation:*

The Department should contact Corizon and request the refunds that are due to the State. The Department should carefully consider whether the doctors evaluating the quality of care can provide an objective and independent review of their employer or consider alternative options for performing these reviews. Further, when evaluating proposals for more than one type of service for which separate contracts will be issued, separate evaluations should be performed to ensure that the vendors are being evaluated consistently by type of service proposed.

*Management's Response:*

Corizon:

The Department has hired a new Health Services Administrator, in December 2016, who will audit the deliverables on the medical contract to ensure compliance with terms and conditions of the Contract. The Health Services Administrator will provide oversight and accountability to the healthcare contract.

Request for Proposal for Medical Contract:

During the course of the evaluation of Medical RFP it was determined that it would be in NMCD's best interest to split the scopes of deliverables and award two separate contracts. One for medical services and one for pharmaceutical services as it was determined it would be most advantageous to NMCD in doing so upon analyzing all submitted proposals. As such, two separate evaluations were conducted considering only medical criteria on the medical award and similarly only factoring in pharmaceutical components for the pharmaceutical award. The medical contract was awarded to Centurion and the pharmaceutical contract was initially awarded to Wexford Health Services, INC.

The contract for medical services was successfully executed on May 16, 2016. However, negotiations with the selected vendor Wexford for the pharmacy services were never reached and a decision had to be made so as not to render the RFP's pharmaceutical component null. The agency commenced negotiations with Centurion and a decision was reached to also award the pharmaceutical contract to Centurion with Boswell as the subcontractor providing the actual services under Centurion.

The Department relied on guidance from an oversight agency through the award phase. The submitted evaluation report was subsequently approved for both the Medical and Pharmaceutical Contracts. The Department would have made any adjustments to the evaluation report had a recommendation been made by the oversight agency.

It is understood that separate evaluations need to be conducted in the event that an RFP scope of work allows for multiple awards with multiple components. It is agreed that evaluations must correspond with each awarded contract all the while ensuring that each proposal was evaluated fairly and is reflected so in the evaluation report. The Agency will ensure that evaluations are completed correctly as recommended.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2012-001 Residential Housing/Trailer Court Benefits at Facilities– Repeated and Modified– (Other Non-Compliance)**

*Condition:*

During our audit procedures regarding housing/trailer court benefits, we noted the following:

- One of eight CD-024901.1 forms reviewed was not signed by the Secretary or Designee. The form did contain a note that verbal approval was obtained, however it was not clear who had verbally approved the form. Additionally, a revised form was provided with a date of May 13, 2016 for the approving signature;
- One of eight CD-024901.1 forms reviewed did not have the approving signature of the Warden or other appropriate signature since the new resident was the new warden for a location. Additionally, a revised form with a signature dated August 18, 2016 was provided subsequently;
- One of eight CD-024901.1 forms reviewed did not contain the information required regarding type of pet, which was not updated from prior year as this exact form was noted as an exception in the prior year;
- For six of the eight housing samples reviewed, the date of occupancy was not listed, therefore the auditors were unable to determine whether the forms were signed prior to occupancy or not.

Per the results of the testwork, it appears that the corrective action plan described in the FY15 management response to this finding has been effective in ensuring that the required forms have the appropriate authorizations; however, the Housing list was not maintained completely or accurately.

*Criteria:*

NMCD's policy titled "Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services" # CD-024900. Part A establishes the criteria for assignment of residential housing/trailer court facilities to department personnel. Sections 3 and 5 of Part A require pre-approval to be submitted in writing prior to assignment of housing. Part C establishes rules governing all occupants of residential housing or trailer court facilities. Section 4 of Part A requires employees to provide information regarding any household pets prior to occupancy.

*Effect:*

Noncompliance with NMCD's policies and procedures may cause employees to be incorrectly assigned residential housing/trailer court facilities. Furthermore, fringe benefit calculations, or the lack thereof, may be incorrect or not in compliance with IRS regulations.

*Cause:*

NMCD's policy titled "Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services" # CD-024900 is not being followed.

*Auditors' Recommendation:*

NMCD should adhere to its policies and procedures regarding assignment of housing.

*Management Response:*

The Director of Adult Prison Division will review every form and sign off as reviewing prior to filing and documenting on the housing log, effective immediately. He will also review the housing log once a quarter to ensure accuracy and note such on the log. Incomplete and inaccurate documentation will be returned to appropriate person to be corrected. If there are discrepancies in documentation a memorandum will be attached with explanation. The Accounting Section, in the Financial Management Bureau, will conduct periodic reviews to ensure adherence.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2012-003    Compensated Absences – Repeated and Modified – (Other Non-Compliance)**

*Condition:*

During our audit procedures regarding compensated absences we noted the following out of twenty-five balances tested:

- The overtime forms were not maintained to support their prior authorization to receive compensatory time in lieu of payment for overtime worked, for 4 of the individuals who are classified as non-FLSA exempt.
- 2 individuals were allowed to use leave in excess of available time, total time used in excess of leave accrued was eleven hours for a total of \$145.
- 1 individual who is classified as non-FLSA exempt, showed an accrual of 79 hours of compensatory time earned during the fiscal year, however, per the overtime forms provided, the individual only requested on one form for 8 hours to earn compensatory time in lieu of payment. Documentation to support the remaining 71 hours of accrued compensatory time was not provided.
- 4 individuals who are non-FLSA exempt had accrued compensatory time balances in excess of the 240 hour maximum, these individuals had a combined total accrual of compensatory time of 1,300 hours, 340 hours in excess maximum number of hours allowed.
- 4 individuals who are classified as FLSA exempt had accrued compensatory time balances in excess of the 160 hour maximum, these individuals had a combined total accrual of compensatory time of 1,061 hours, 421 hours in excess of the maximum allowed time.

Per the results of testwork, it appears that NMCD has not made progress in implementing the prior year corrective action plan to resolve this finding.

*Criteria:*

NMAC 1.7.4.14 Section J establishes Agencies shall pay Fair Labor Standards Act covered, non-exempt employees for overtime worked unless the employee, in advance, agrees in writing to compensatory time off. Employees may accrue a maximum of 160 hours or 240 hours of compensatory time depending on their FLSA classification, unless otherwise authorized by statute and shall be paid for accrued compensatory time upon separation.

*Cause:*

NMAC 1.7.4.14 & 1.7.7.8 and NMCD's Overtime and Extra Hours Worked Compensation Policy #CD-035100 is not being followed. Additionally, there does not appear to be a mechanism in place at NMCD control level to identify the unallowed overages. Also, there does not appear to be proper review of employees' liability amounts related the year-end compensated absence liability.

*Effect:*

Without a monitoring process in place employees are accruing balances of compensatory time that exceed set policy amounts and statutory requirements.

*Recommendation:*

NMCD should implement a monitoring process to ensure employees are not accruing balances of compensatory time that exceed policy limits and statutory requirements.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2012-003 Compensated Absences – Repeated and Modified – (Other Non-Compliance) – continued**

*Management Response:*

In regards to overtime forms not maintained to support their prior authorization to receive compensatory time in lieu of payment for overtime worked, for 4 individuals who are classified as non-FLSA exempt. This finding occurred because PNM Roster Management shredded files without scanning documents for backup onto a secured drive. In order to clear this finding the HR Bureau Chief will reach out to the Roster Management Coordinator to send out a directive, by mid February of 2017, that all payroll related forms and documents maintained for overtime and/or leave slips be maintained for a minimum of 4 years. HR will request that the documents be scanned on the J drive prior to shredding or archiving.

For the finding stating, 8 individuals exceeded the maximum number of accumulated hours for earned compensatory time, and although the Department did authorize the overage to be accrued, this authorization was not provided until after the individuals balances had exceeded the maximum allowed, the HR Bureau Chief will work with the new acting Cabinet Secretary to implement a process to remove the overage and/or a reasonable timeframe for individuals to use the overage prior to the end of the current fiscal year. As a control mechanism HR will send out notifications to employees whom are close to meeting the overage and cc their supervisor or Warden to minimize any future overages.

**Finding 2015-001 Internal Controls over Disbursements – Repeated and Modified (Significant Deficiency)**

*Condition:*

The Department requested a sole source procurement in the amount of \$16,500,000 to extend the prior year emergency contract with Corrections Corporation of America for the management of the Women's Facility at Grants.

The original contract with Corrections Corporation of America for the management of the Women's Facility at Grants expired in June 2013 and the Department did not issue a new contract through a Request for Proposal method. Instead, the Department requested an emergency procurement which extended the contract for two additional years.

In FY2016, the Department extended the contract previously classified as an emergency procurement as a sole sourced contract to manage the facility for an additional 10 months instead of procuring a contract using appropriate procurement methods.

During FY2016, the Department did complete an RFP process for the management of the facility prior to the end of the fiscal year for a management contract which is effective for FY2017.

*Criteria:*

Per NMSA 13-1-127, A. The state purchasing agent or a central purchasing office may make emergency procurements when there exists a threat to public health, welfare, safety or properly requiring procurement under emergency conditions; provided that emergency procurements shall be made with competition as is practicable under circumstances.

An emergency condition is a situation that creates a threat to public health, welfare or safety such as may arise by reason of floods, fires, epidemics, riots, acts of terrorism, equipment failures or similar events and includes the planning and preparing for an emergency response. The existence of the emergency condition creates an immediate and serious need for services, construction or items of tangible personal property that cannot be met through normal procurement methods and the lack of which would seriously threaten:



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2015-001 Internal Controls over Disbursements – Repeated and Modified (Significant Deficiency) - continued**

- (1) the functioning of government;
- (2) the preservation or protection of property; or
- (3) the health or safety of any person.

Money expended for planning and preparing for an emergency response shall be accounted for and reported to the legislative finance committee and the department of finance and administration within sixty days after the end of each fiscal year.

*Effect:*

Inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of public funds. In addition, the department may not have obtained the best prices to run the facility. The department is not in compliance with NMSA 13-1-127.

*Cause:*

The department did not plan to ensure a new contract was in place once the old contract had expired.

*Recommendation:*

We recommend that the Department implement a process to ensure all RFPs and new contracts are in place before the old contract expires.

*Management Response:*

The Department did in fact go out to RFP. The RFP secured only 1 responder. Contractual negotiations which included a Best and Final Offer process was arduous and took months to come to a compromise that both NMCD and the respondent could agree on. The Agency had no choice but to request an emergency procurement. The Agency met the criteria defining an emergency procurement with the health and safety of all inmates being the most crucial and the functioning of government as the basis in meeting our statutory obligations. The Department has a statutory obligation to secure the safety and well-being of inmates and the people of New Mexico by insuring criminals are confined.

Emergency Procurements entail the submittal of an emergency determination request to an oversight agency. If it is determined that the agency has met the criteria in deeming it an emergency, the Department is allowed to proceed with the emergency procurement method. The Department cannot procure thru the Emergency Procurement Method without securing an approval.

While the Department strives to meet all Procurement Code regulations, the specialized services, at times, hinders our ability to do so. The Department will make every effort to ensure that a new contract is in place prior to the expiration of existing contracts. The Department is actively seeking services through a vendor in establishing a Contracts Tracking system. A demonstration has been scheduled for February. It is a collaborative effort between the Information Technology Division and the NMCD Procurement Manager.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2015-002 Payroll-Lack of supporting documentation – Repeated and Modified – (Other Non-Compliance)**

*Condition:*

During our test work of payroll we noted the following exceptions:

- Three of the twenty-five employee files did not have copies of the required forms from List A or List B of the instructions for the I-9 attached,
- Eight of the twenty-five I-9s did not include the employees' date of hire,
- Two of the twenty-five files did not have a copy of the employee's W-4,
- For one of the twenty-five files reviewed, the allowances shown on the W-4 did not match the allowances shown on the employee's pay stub,
- The paystub for one employee showed deductions for union dues; however, the authorization form for this deduction was not in the employee's file
- One employee had a signed form approving the deduction of union dues from the employee's pay; however, this deduction was not being taken.

NMCD showed significant progress in trying to implement the corrective action plan from the prior year by requiring that all employees complete an I-9 during fiscal year 2016 to have on file. All of the files sampled contained an updated I-9 form; however, not all of the required documents were attached, and some forms were not properly corrected.

*Criteria:*

The Immigration Reform Act of 1986 (IRCA) requires that a properly completed Form I-9 be on file for any employees hired after November 6, 1986. 8 USC § 1324b - Unlawful Employment of Aliens requires the hiring entity to retain the properly completed I-9 Form for either three years after the hire date or one year after the individual has been terminated, whichever is longer.

In addition, the personnel files should contain proper documentation to support payroll transactions.

*Cause:*

The Department is not following federal regulation Immigration Reform Corrections Act or 8 USC § 1324b Code. The Department did not maintain proper documentation in the personnel files to support payroll transactions.

*Effect:*

The Department may not be in compliance with federal law, and personnel files do not contain information to support payroll withholdings and deductions.

*Recommendation:*

The department should maintain proper documentation in the personnel files to support payroll transactions.

*Management Response:*

The Department concurs with the finding. One of the facilities failed to have a new I-9 form and sufficient supporting documentation filled out within three days of hire. NMCD is recommending that immediate active action be taken to rectify and enforce compliance with Immigration Reform Corrections Act or 8 USC § 1324b Code. The HR Bureau

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2015-002 Payroll-Lack of supporting documentation – Repeated and Modified – (Other Non-Compliance) – continued**

Chief will send out an email to the PNM supervisor informing the facility of the need to complete an I-9 form along with supporting documentation within a three month period from the hire date for that facility. The I-9 form and supporting documentation will need to be submitted to PNM HR. HR Staff will certify the form is filled out correctly and will need to make copies. The HR Bureau Chief will also send out a directive to have all the past I-9's reviewed and the hire date completed on the form by the end of the 2017 fiscal year. The correction to the hire filled will need to be initialed and dated to be in compliance with Immigration Reform Corrections Act or 8 USC § 1324b Code. As a quality assurance measure the Department will send staff from Central Office Human Resource office to the facilities to ensure that files are being maintained and up to date.

The department contends that we are not the record custodian for union deduction forms per the CBA, in this instance noted by the auditor the employee's union dues started with another state agency (CYFD). NMCD does not need to obtain a new union authorization form when transferring agencies and we have reached out to the union to obtain a copy of the form. With this said, our agency will make every responsible effort going forward to help ensure any new union deductions have a corresponding form on file.

As an internal control the HR manager will implement a check list of documents that should be maintained in the file to help ensure that Human Resources is entering W-4's timely and request that a post audit of job data entries are completed.

**Finding 2016-001 Wright Express Fuel Card Usage-(Other Non-Compliance)**

*Condition:*

Of the 10 Wright Express (WEX) invoices tested with a total expense of \$8,695, we noted:

- 4 transactions where 48.197 gallons of Super Unleaded fuel were purchased at a total cost of \$93,
- 2 transactions where 16.629 gallons of Unleaded Plus fuel were purchased at a total cost of \$40,
- 3 transactions in the same day for a vehicle other than the vehicle for which the WEX card was assigned for a total of 50.770 gallons of fuel at a cost of \$84, and of these 3 transactions, 1 exceeded the fuel tank capacity for the regularly assigned vehicle by 6.27 gallons,
- And 1 car wash for \$19.99 which was charged to the incorrect expenditure line-item.

*Criteria:*

NMCD Policy CD-022002 and 1.5.3 NMAC identify the requirements related to fuel card purchases, which include the following:

- Gasoline credit cards are exclusively assigned to each State of New Mexico vehicle and not to the employee. The card must remain with the assigned vehicle at all times and not in the employees' possession.
- A PIN (six digits) must be requested at least 24 hours in advance of anticipated use. Once a PIN has been issued, the employee is not to share the PIN with anyone else or let someone else use the PIN.
- The gasoline credit card is to be used only for State of New Mexico owned vehicles. It is never to be used to purchase fuel for privately owned vehicles.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-001 Wright Express Fuel Card Usage-(Other Non-Compliance) - continued**

- Employees may only purchase regular unleaded gas.

*Effect:*

The Department is not in compliance with the New Mexico Administrative Code and Department policy regarding fuel card usage. Inadequate internal oversight and accounting practices may heighten the potential for fraud or misappropriation of public funds.

*Cause:*

The Department has multiple accounts with Wright Express. Since these accounts are for fuel purchases made by different facilities, only employees who work within that facility are authorized as purchasers on any particular account. In instances where an employee borrows a vehicle from another division for which they are not set up as an authorized WEX user, unless they can quickly be set up as an authorized user, they have no alternative besides using the fuel card from their regularly assigned vehicle or paying out of pocket for the fuel and requesting reimbursement from the Department later.

*Auditors' Recommendation:*

The Department should ensure that employees are trained to use fuel cards in accordance with the requirements of the New Mexico Administrative Code and Department policy, and obtain timely explanations for any unusual transactions which occur.

*Management Response:*

The business offices responsible for the payment of WEX billings will thoroughly review invoices and request an explanation from the employee if purchases are not followed per NMCD policy and NMAC requirements, effective immediately. As vehicles are checked out, they are also being reminded at that time not to pump anything other than unleaded fuel. Business offices will also conduct training to inform employees of proper usage of the gas cards.

**Finding 2016-002 Lack of Proper Approval for Travel Reimbursements Over \$1,500 (Other Non-Compliance)**

*Condition:*

Of the five individuals selected to test for proper approval of travel reimbursements over \$1,500 in a Calendar Year, one individual received \$1,553 in a Calendar Year without the required Cabinet Secretary level of approval for two reimbursement requests totaling \$865, which were paid the same day and put the individual over the \$1,500 threshold.

Another the travel voucher selected for review did not have a purchase order approved prior to the date of travel. The initial request for reimbursement excluded various amounts for which receipts were available and attached to the requisition, including reducing one receipt paid by 35 cents to keep the total payment at 11 cents shy of the \$1,500 threshold at which the Cabinet Secretary's approval would have been required for payment and per Department Policy, an Exempt Purchase Document must be processed through DFA for encumbrance. The trip was at the end of January, then due to the inconsistencies in the receipts and amounts submitted for the initial reimbursement in February, then subsequently at the end of June, five months after the original date of travel, the employee submitted an additional request for reimbursement for approximately \$380 worth of receipts for the remainder of what was owed on the original travel. Also attached with the additional reimbursement request was a memo describing the MAPS violation indicating that "it was just discovered that additional funds were owed to the individual," although several of the receipts reimbursed were attached to the original voucher, but marked as "not being claimed." Further, several

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-002 Lack of Proper Approval for Travel Reimbursements Over \$1,500 (Other Non-Compliance) - continued**

of the receipts attached were claiming the reimbursement for two meals purchased at a time, and the receipts indicated that there were 2 guests present at the time of the purchase. The individual claiming reimbursement indicated that the second meal was a "to go" meal for later; however, in one instance the purchase was made at 10:00 pm for two hamburger meals ordered in which the hamburgers were to be cooked differently. The next day of travel showed no missed meals during the day and a maximum claimed reimbursement for meals of \$45 for out of state travel.

In addition, this same traveler on a different trip requested to change flights. A credit of \$914 was available with Aquila Travel after changing the flight as a refund for the original flight booked. This credit was allowed to expire as it was not used within one year of the originally booked flight.

Further it was noted in one of the travel vouchers reviewed that an individual was reimbursed for upgrading his/her airline ticket for comfort seating. NMCD does not have a policy allowing for this purchase.

*Criteria:*

Per 10-8-5 (I) NMSA 1978, any person who is not an employee, appointee or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council, an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel.

NMCD Policy CD-024701 E(1) requires the Cabinet Secretary's approval of itemized travel expenditures when cumulative travel costs exceed \$1,500 during a Calendar Year.

NMCD Policy CD-024701 D(7) requires that if the proposed travel cost is \$1,500 or more, an Exempt Purchase Document must be processed through DFA for encumbrance.

Per Section 14 of Article IX of the Constitution of the State of New Mexico requires that the state shall not directly or indirectly make any donation to or in aid of any person, association or public or private corporation.

*Effect:*

NMCD is not in compliance with its policies governing reimbursement of travel expenses. Travel reimbursement requests were paid without the approval required by NMCD's policies and state statute. Additionally, NMCD paid \$914 for a flight that was never taken, in violation of the Anti-donation clause of the Constitution of the State of New Mexico.

*Cause:*

NMCD implemented the use of the Travel Module to track cumulative travel expenses by employee and monitor the \$1,500 threshold, as well as other required approvals, on July 1, 2015. However, the first half of the year was tracked manually and not all of the travel expenditures were transferred over into the new system.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-002 Lack of Proper Approval for Travel Reimbursements Over \$1,500 (Other Non-Compliance) – continued**

The traveler changed flights as a result of combining two trips, one paid for by NMCD, and one paid for by another organization. Credits with Aquila Travel as a result of changing flights are required to be used within one year, or they expire.

*Auditors' Recommendation:*

With the implementation of the Travel Module which tracks the \$1,500 threshold, NMCD, should ensure all travel is properly recorded in the new module.

The practice of allowing the purchase of two meals, one to eat at the time of purchase and a "to go" order for later, should be discontinued. The purchase of "to go" meals should only be allowed in limited circumstances such as when travel occurs at odd times which would not allow the employee to find reasonable food options, or when travel occurs in rural areas where food options may not be available.

Further, NMCD should ensure that whenever credits are available with a vendor, they are used in a timely manner before the expiration date.

*Management Response:*

The Department anticipates that the finding related to the \$1,500 threshold overage should be resolved in the current fiscal year with the implementation of the Travel Module, which now encompasses the entire calendar year as of July 1, 2015. The Department concurs that a purchase order was not done prior to the out of state travel which will be corrected by issuing purchase orders prior to all out of state travel going forward and will be monitored by the Adult Prisons Business Manager. In addition, the Business Office will ensure that the recipient understands that by providing a signature on the Itemized Schedule that it is considered final payment on that particular travel and they may not submit receipts for additional reimbursement at a later date. In processing the receipts for the two meals, the processor reimbursed the meals based on the statement of the employee that it was a "to go" meal and policy does not state that it is not reimbursable however, this type of meal reimbursement will be discontinued and monitored by the Adult Prisons Procurement Manager. The airline credit was issued by the airlines and not the travel agent; flights were unavailable through that airline on subsequent travel therefore the credit expired. In the future, the business office will monitor pending credits to ensure they are used timely.

**Finding 2016-003 Internal Controls over Contracts and Procurement (Significant Deficiency)**

*Condition:*

During our review of 6 contracts for compliance with the Procurement Code and Model Accounting Practices (MAPs), we noted:

- One contract file included a contract amendment which raised the hourly rate from \$22 per hour to \$25 per hour, the same rate as the other individual who bid to provide these services. No documentation of the reason for the amendment was contained in the file, the explanation was prepared and provided after requested.
  - Additionally, based on the explanation provided, the expectation would be to award the contractor additional hours as the scope of work added services to be provided at an additional location, not to increase the price per hour.
- For one contract, a signed campaign contribution disclosure form was not maintained in the file.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-003 Internal Controls over Contracts and Procurement (Significant Deficiency) - continued**

*Criteria:*

Per Section 13-1-191.1 NMSA 1978, a contract that is executed may be ratified or terminated pursuant to Section 13-1-182 NMSA 1978 if the prospective contract fails to submit a fully completed disclosure statement pursuant to this section.

*Effect:*

Inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of public funds. The department is not in compliance with certain sections of the Procurement Code and MAPs.

*Cause:*

The department did not maintain adequate supporting documentation to justify a contract amendment for a professional services contract, vendor selection, and State Compliance. Additionally, in monitoring the maximum dollar amount of a contract, the Department was utilizing the Procurement Code thresholds instead of the more restrictive MAPs thresholds per DFA.

*Recommendation:*

We recommend the Department follow MAPs in addition to the Procurement Code when monitoring and awarding contracts, and ensure that adequate supporting documentation is maintained in the contract file to support the vendor selection and other State compliance requirements.

*Management Response:*

The Department agrees that a compensation increase must be justified with a corresponding identification in the scope of work. The Department will ensure that all amendments identify justifications with compensation increases. A check list was created immediately to ensure all document requirements are maintained to include the Campaign Contribution Disclosure Form. All future amendments will ensure justifications correspond with compensation increases and will be completed by the contract manager assigned to the contract or the Acting Bureau Chief of the General Services Bureau.

**Finding 2016-004 Federal Grant Expenditures (Other Non-Compliance)**

*Condition:*

The Department utilized state funding to pay \$34,134 in expenditures, in March and April of 2016, incurred for a Federal Grant with an eligibility period of December 2, 2015, through January 31, 2016, for which the Department never received reimbursement; therefore, the Department Federal Grant expenditures were paid with State Funding.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-004 Federal Grant Expenditures (Other Non-Compliance) – continued**

*Criteria:*

The period of eligibility for the Federal Grant Funding was for December 2, 2015, through January 31, 2016. The request for reimbursement (RFR) was due to the pass-through entity within 15 days of the expiration of the award period. The award period to the pass through entity closed on March 31, 2016.

*Effect:*

The Department used \$34,134 in State funding to cover federal grant expenditures.

*Cause:*

The Department The Department sent a request for reimbursement to the pass-through agency; however, due to turnover at the pass-through agency, they did not receive the a response until the end of fiscal year 2016 indicating that the grant had been closed prior to the Department submitting their initial request for reimbursement.

*Recommendation:*

We recommend the Department monitor federal grant expenditures, eligibility periods, and reimbursement requests, and communicate with applicable pass-through entities to ensure that grants funding will still be available prior to incurring expenses.

*Management Response:*

NMCD and the Department of Public Safety have both agreed to dedicate positions to monitoring and ensuring compliance of pass-through grant funding by the end of the fiscal year. This collaboration will also help to identify other funding opportunities for NMCD. The Acting ASD Director is responsible for ensuring the Department complies with all grant requirements.

**Finding 2016-005 Lucky 8 MOU (Material Weakness)**

*Condition:*

The Department entered into a Memorandum of Understanding (MOU) with Lucky 8 TV, LLC for the production of the television series *Behind Bars: Rookie Year*. The Department was unable to provide an accurate and complete tracking of weeks for which the film crews from the production company were on site, or any tracking of expenses incurred by the Department in relation to the production of the series. At the end of fiscal year 2015, the Department invoiced the production company for approximately \$2,000 for the additional overtime shifts worked by Department employees associated with the production of the series; however, to date, payment for this amount has not been received, nor has the Department received \$40,000 of the amount billed in fiscal year 2016. In addition, the production company has been allowed to film a third segment of the show at the Springer facility even though they still owe the state \$42,000.

Additionally, an employee of the Department who left temporarily to work for the production company between October 2015 and March 2016 and then returned to the Department in March of 2016 was allowed to make the determination of the amounts to be billed to the production company. The supporting documentation for one of the invoices was an email from this employee to the production company and included a reference to waived fees of \$20,000. Based on records reviewed and interviews with several Department employees, there were other fees waived, but there was no tracking of these amounts, and the waiving of fees was in effort to “build the partnership” between the Department and the production company. The involvement of this employee in the determination of amounts billed and fees waived appears to be a conflict of interest as not all of the decisions appear to be in the best interest of the State, and no evidence was provided to support that the financial decisions in relation to the MOU were made by any other individual within the Department.



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-005 Lucky 8 MOU (Material Weakness) - continued**

The \$95,000 of revenues received from this MOU during fiscal year 2016, were recorded as revenues to the Corrections Industries Division Fund. These revenues should have been recorded in the Departments other funds to reimburse those funds for the expenses incurred in relation to the production of the series.

*Criteria:*

Government Conduct Act Section 10-16-1 through 10-16-18 NMSA 1978

Pursuant to Section 10-16-8 (A) NMSA 1978, Contracts involving former public officers or employees, a state agency shall not enter into a contract with, or take any action favorably affecting, any person or business that is: (1) represented personally in the matter by a person who has been a public officer or employee of the state within the preceding year if the value of the contract or action is in excess of one thousand dollars (\$1,000) and the contract is a direct result of an official act by the public officer or employee.

Department policy CD-032200 Code of Ethics defines conflict of interest as any personal action or inaction motivated by the possibility of personal gain or personal interest which adversely affects the interest of the Department or conflicts with the person's duty to the Department.

Per section A of CD-032201, Personal Conduct:

3. Under no circumstances shall employees give rise to a conflict of interest or the appearance of a conflict of interest with the State or with the NMCD.
4. Applicable personnel shall refrain from any conduct that adversely affects the interests of the NMCD or adversely affects the employee's ability to perform his/ her duties.
5. Employee actions which adversely affect the NMCD or its interests or adversely affect the employee's ability to perform his/her duties include, but are not limited to:
  - a. Any action which demonstrates negligence or intentional misconduct by an employee.
  - b. Any action which would fit within the definition of just cause, or misconduct as defined in the State Personnel Board rules and regulations.
  - c. Any action which is reported in the newspaper, television other media, or through legitimate and proven reports, which tends to show or does show the NMCD in a bad light or which could cause a negative perception of the NMCD or its abilities to fulfill its obligations or duties.

Anti-Donation Clause Article IX Section 14 NM Constitution - Neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation or in aid of any private enterprise for the construction of any railroad except as provided.

*Effect:*

Inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of public funds. State funds were used to supplement the production of the television series. State regulations and Department policies were violated.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-005 Lucky 8 MOU (Material Weakness) - continued**

*Cause:*

The Department did not have a system on adequate internal controls in place to track the weeks that the production crews were on site to bill in accordance with the contract, track and bill overtime shifts worked specifically for the production of the series, ensure that decisions regarding billing and waived fees were not being made by an individual who had worked for the production company, and ensure that State funds were properly reimbursed for expenses incurred during the production of the series. The terms of the MOU between NMCD and Lucky 8 do not specifically address how access to the facilities will be treated for billing purposes when the production crew is only onsite for a couple of hours for a specific interview, or reference advertising fees or other costs of the production company.

*Recommendation:*

We recommend that the Department implement a system of internal controls to appropriately track expenses incurred for billing purposes, add safeguards against related party transactions, comply with State regulations and ensure that taxpayer funds are not being used to supplement the filming of the television series.

*Management Response:*

The Wardens will implement a process to track expenses incurred during filming by the end of the fiscal year. This will include cross referencing overtime expense with roster management. When payment is made, NMCD will reverse expenses on the general ledger.

**Finding 2016-006 Untimely Reversion (Material Weakness)**

*Condition:*

The Department will revert approximately \$2,692,773 of fiscal year 2015 appropriations in fiscal year 2017.

*Criteria:*

Per Section 6-5-10 NMSA 1978, state agencies are required to revert all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30 by September 30 to the general fund.

MAPs FIN 3.8 (D 2) General Accounting Procedures – Year End Closing

*Reversions –*

- a. Any unexpended or unencumbered balance remaining in the budget at the end of the fiscal year shall revert to the General Fund or the source fund.
- b. Based upon the date requirement set by the General Appropriation Act of each fiscal year, on or about August 31, 20XX is the submission deadline for the *Reversion Notification* form to FCD. At the end of the fiscal year, agencies must not reserve unexpended amounts as part of fund balance.
- c. September 30, 20XX is the deadline for entering Operating Transfers in SHARE for reversions due for the previous fiscal year.

*Effect:*

The Department did not revert the approximately \$2,692,773 in FY 2015 funds timely. In addition, the department is not in compliance with state statute.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-006 Untimely Reversion (Material Weakness) - continued**

*Cause:*

The Department intended to request that the unspent funds be re-appropriated; however, this was not done. In addition, there was confusion regarding the requirement that agencies were not permitted to reserve the unexpended amounts for future purposes.

*Recommendation:*

We recommend the Department revert the fiscal year 2015 funds to the State General Fund and ensure that staff responsible for monitoring budget and reversions is aware of the requirements.

*Management Response:*

The Financial Management Bureau Chief will ensure reversions to the State General Fund are done in a timely manner annually.

**Finding 2016-007 Emergency Procurement Violations (Significant Deficiency)**

*Condition:*

During our review of four emergency procurements for the fiscal year we noted:

- For one instance totaling \$531,111 for the procurement of residential treatment services for substance abuse or dual diagnoses offenders that did not comply with the Governor's office's guidelines on emergency procurement. This justification does not appear to meet the definition of an emergency.
- For four instances the Department could not provide documentation that money expended for the planning and preparing for an emergency response, if any, was reported to the legislative finance committee and the department of finance and administration within sixty days of fiscal year end.
- For four instances the Department could not provide proof that within three business days of awarding an emergency procurement, the Department provided the information required by state statute to the department of information technology and the legislative finance committee.

*Criteria:*

Governor's Contract Review Guidelines Section 3(J) states, "[f]or emergency contracts, a true "emergency" must exist (i.e. a threat to the function of government, lives, health, or property). Emergencies do not exist simply from a need to procure the services "now", or from time pressure to implement a new contract."

13-1-127 (E) NMSA 1978 states, "[m]oney expended for planning and preparing for an emergency response shall be accounted for and reported to the legislative finance committee and the department of finance and administration within sixty days after the end of each fiscal year."

1.4.1.63 NMAC states, "[w]ithin three business days of awarding an emergency procurement, the awarding central purchasing office within a state agency shall: (1) provide the information required by statute to the department of information technology for posting on the sunshine portal; and (2) forward the same information to the legislative finance committee

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-007 Emergency Procurement Violations (Significant Deficiency) - continued**

*Effect:*

Inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of funds. Also, the department may not have obtained the best price. In addition, the Department does not appear to be complying with the Procurement Code and the Administrative Code on emergency procurements.

*Cause:*

The Department did not adequately plan for the length of time required for DFA contract approval. The Department did not maintain proper documentation in their procurement files to support compliance with state statute and the administrative code.

*Auditors' Recommendation:*

We recommend the Department implement a process to ensure that all new contracts are in place before an old contract expires. The Department should review its process for complying with rules and regulations and should maintain proper documentation in the procurement files.

*Management Response:*

The Procurement Bureau Chief will ensure that all Emergency Procurements are processed as the Procurement Code requires going forward. A check list has been created as of this response to accompany the Purchase Order to ensure compliance with each step. The Procurement Bureau Chief will ensure that Business Managers refrain from using the term "Emergencies" on internal purchase request where "Expedite" is the correct term. An email went out to all Business Managers immediately upon acknowledgement of the finding.

**2016-008 Exempt Procurement Violations (Significant Deficiency)**

*Condition:*

During our review of exempt procurements for the fiscal year we tested ninety-seven exempt purchases:

- Ninety-six instances totaling \$77,817,927 did not comply with procurement code regulations in which only the CPO may make determinations regarding exemptions. The Department is allowing the purchasing agents, who are not certified procurement officers, to fill out the internal purchase request (IPR) form and determine the exemption type and at no point does the CPO sign this request form or review this form instead the purchasing department's accounting/auditing department reviews this form and approves the request in SHARE.
- One instance totaling \$1,458 where the Department claimed an incorrect exemption type in which they simply reference the overall exemption statute. The purchase order was missing any of the necessary letters which actually document the exemption types provided by State Statute.

*Criteria:*

1.4.1.94 NMAC states chief procurement officer duties, responsibilities and obligations and only a CPO may, "make determinations, including determinations regarding exemptions, pursuant to the Procurement Code."

6-5-2(B) NMSA 1978 states, "The division [the department of finance and administration] shall issue a manual of model accounting practices containing the procedures and policies prescribed pursuant to Subsection A of this

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**2016-008 Exempt Procurement Violations (Significant Deficiency) - continued**

section and shall annually review and, if necessary, revise and reissue the manual. State agencies shall comply with the model accounting practices established by the division, and the administrative head of each state agency shall ensure that the model accounting practices are followed."

The Manual of Model Accounting Practices 2016, FIN 4.3 (B) states, "[s]tate agencies must cite the section of the State Procurement Code and the specific item of the law (letter A-EE) that exempts the purchase from the requirements of the procurement code."

*Effect:*

Purchases are being made under an exemption that may or may not meet the provisions for an exemption since individuals who do not have the necessary training of a chief procurement officer are making the determination of whether or not these purchases are exempt. Inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of funds. In addition, The Department is not complying with state statutes.

*Cause:*

The Department did not adequately plan for regulations that had a start date of July 1, 2015 and continued to use old procedures and practices. The Department does not appear to be adequately monitoring compliance with State Statute.

*Auditors' Recommendation:*

We recommend the Department revise their current procedures to comply with procurement code regulations to ensure that only the CPO is making exemption determinations and that the determination is documented. The Department should review their internal controls to ensure that all purchase orders are being reviewed for compliance with state statute.

*Management Response:*

The Department understands the responsibilities and obligations of the CPO. The Department will take measures to ensure all exemptions are only approved by the CPO. The Procurement Bureau Chief conducted training with all Purchasing Agents to ensure exemption approvals are secured only thru CPO in October. Exemption approvals are now being review by the Acting Procurement Bureau Chief as of this response.

**2016-009 Corrections Industries Division Procurement Code Exemption (Significant Deficiency)**

*Condition:*

During our review of internal controls and state compliance, we noted that the Corrections Industries (CI) Division of NMCD does not have a set of procurement rules which have been reviewed by the State Purchasing Division of the General Services Department and then formally adopted by the CI Board. During our review of exempt procurements for the fiscal year, we tested fifty-one purchase orders that claimed exemption from the procurement code totaling \$4,533,377. Of these fifty-one purchase orders reviewed all purchases indicated on the purchase order, that the purchase was exempt from the procurement code; however, without the formally adopted set of procurement rules, we were unable to determine whether the purchases made by CI were actually exempt or not.

During our review of exempt procurements for the fiscal year, we tested fifty-one purchases that utilized the procurement exemption rules:

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

2016-009 Corrections Industries Division Procurement Code Exemption (Significant Deficiency) - continued

- One purchase tested did not have the internal purchase request form in the purchase order documentation. Two purchases tested had the incorrect exemption type listed on the internal purchase request. Forty-eight internal purchase request forms left the exemption type blank, but were still signed off and approved.
- We noted twenty-three instances out of fifty-one where the total purchase was under \$5,000 and three quotes were not obtained.
- We noted twenty-five instances out of fifty-one where the total purchase was over \$5,000 and three quotes were not obtained.
- We noted one instance out of fifty-one purchases where the internal purchase request (IPR) form did not contain the appropriate signature needed for a purchase over \$10,000.
- We noted one instance out of fifty-one purchases where the change order request form does not have the required approvals for change increases in excess of \$500.
- We noted one instance out of fifty-one where the purchase appeared to violate the anti-donation clause. \$500 worth of gift cards were purchased with the note that "purchase is meals for inmates on detail with Corrections Industries." However, it is unclear exactly how inmates could have used these cards since inmates are unable to leave the facility and visit a private business.

*Criteria:*

Per 13-1-98(I) NMSA 1978, there is an exemption from the procurement code for the procurement of tangible personal property or services, as defined by Sections 13-1-87 and 13-1-93 NMSA 1978, by the corrections industries division of the corrections department pursuant to rules adopted by the corrections industries commission, which shall be reviewed by the purchasing division of the general services department prior to adoption.

NMCD's Procurement Regulations Policy #CD-113200(B) defines best obtainable price as, "lowest price obtained when no fewer than three valid sources are contacted for quotes."

NMCD's Procurement Regulations Policy #CD-113201(B)(2) states, "small purchases of goods or services having a value not exceeding \$5000 may be purchased by the Division's central purchasing office by issuing a direct purchase order to a contractor based on the best obtainable price."

NMCD's Procurement Regulations Policy #CD-113201(B)(3) states, "Goods or services having a value exceeding \$5000, excluding raw materials, require written price quotations from no fewer than three businesses, which must be recorded and placed in the procurement file."

New Mexico Corrections Department Internal Purchase Request form states, that it is "to be used for purchase of all goods, services, and travel requests." This form requires the signature and approval dates for the supervisor, Business Manager, Chief/Regional Manager, CIO (for all IT purchases), Budget (>\$5,000), Division Director (>\$5,000), and the Deputy Secretary (>\$10,000).

The Anti-Donation Clause: NM Constitution Article IX 14 states, "[n]either the state, nor any county, school district, nor municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person association or public or private corporation."

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**2016-009 Corrections Industries Division Procurement Code Exemption (Significant Deficiency) - continued**

*Effect:*

All purchases made by CI were made without formally adopted policy and potential through the improper use of the exemption from procurement code. Also, inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of funds. Additionally, the Department may have violated the anti-donation clause by purchasing and distributing gift cards.

*Cause:*

Corrections Industries has not developed and formally adopted a set of procurement rules in compliance with State Statute, although purchases are still claiming this exemption.

*Auditors' Recommendation:*

Corrections Industries should develop a set of procurement rules in accordance with Section 13-1-98(I) NMSA 1978, have these rules reviewed by SPD, and then formally adopt these rules as required by State Statute.

*Management Response:*

Because of long hours and travel times, the inmates can miss breakfast or dinner at the facility. In order to ensure we provide inmates in our work crews with at least one hot meal per day per the ACA standard, CI searched for other outside food sources that would take a purchase order for gift cards. The cards are kept in a locked drawer. When using the cards, all receipts are required to be submitted to the business office for reconciling. None of the cards are given to anyone other than staff responsible for the inmate crews and only with authorization from the Director of Corrections Industries. All cards and expenditures are accounted for.

The Corrections Industries Commission Meeting is scheduled for December 15, 2016. On the agenda is a policy change to outline the exemptions. The recommended exemptions are for items for resale that are exclusive to a particular manufacturer; for items that have been purchased through an approved contract; for public or private partners providing an inmate program or inmate programming; or for sole-sourced items.

Once the commission has approved the request, CI will submit it to the State Purchasing Division for approval. If approved or with recommendations, the request will be presented to the commission for ratification. In the mean time, CI will seek three quotes for best obtainable price.

**Finding 2016-010 Approval Signatures or Approval Dates Missing from Internal Purchase Requests (Significant Deficiency)**

*Condition:*

During our review of exempt procurements for the fiscal year, we tested ninety-seven exempt procurements:

- One instance totaling \$1,829,754 did not have the required internal purchase request form.
- One instance totaling \$16,182 did not have the required approval date on the internal purchase request form.
- One instance where the internal purchase request (IPR) form was missing the proper signature approval. The IPR was missing the signature for the division director for a purchase greater than \$5,000.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-010 Approval Signatures or Approval Dates Missing from Internal Purchase Requests (Significant Deficiency) - continued**

*Criteria:*

New Mexico Corrections Department Internal Purchase Request form states, that it is "to be used for purchase of all goods, services, and travel requests." This form requires the signature and approval dates for the supervisor, Business Manager, Chief/Regional Manager, CIO (for all IT purchases), Budget (>\$5,000), Division Director (>\$5,000), and the Deputy Secretary (>\$10,000).

Section 13-1-29(C) NMSA 1978 states, "[t]he purposes of the Procurement Code are to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity."

*Effect:*

These purchases made under an exemption from procurement code do not appear to have all necessary documentation completed to make these purchases. Additionally, the department does not appear to have complied with the state procurement code. Also, inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of funds

*Cause:*

IPR forms are not being properly reviewed to ensure management approval is obtained for all applicable purchases prior to execution of the purchase order.

*Auditors' Recommendation:*

We recommend the department review their policies and procedures for reviewing IPR forms to ensure management approval is obtained prior to processing purchase orders. Additionally, we recommend the Department provide additional training as necessary to employees on how to complete and submit IPR forms including how to obtain the appropriate signatures and dates required.

*Management Response:*

The Department will look at improving the approvals process on procurements and provide additional training to all Business Managers in securing a more manageable process by utilizing the SHARE system as it was intended. The Department is actively seeking a Purchase Request tracking system through a vendor as of the date of this response. The Department is looking at implementing the new process by the end of February to ensure success by July 1 for the upcoming fiscal year. The ASD Director and Acting Bureau Chief of General Services Bureau are collaborating on the project.

**Finding 2016-011 Use of Multiple Exemption Types on procurement of the same goods or services (Significant Deficiency)**

*Condition:*

During our review of the ninety-seven purchases we noted, the Department also writes into their contracts with other counties' prisons that they contract with that certain items must be purchased exclusively through Corrections Industries (the exact contract wording is "[t]he County shall purchase inmate clothing and inmate linens for the NMCD inmates housed at the Facility from NMCD Corrections Industries").



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Finding 2016-011 Use of Multiple Exemption Types on procurement of the same goods or services (Significant Deficiency) - continued**

*Criteria:*

Section 13-1-29(C) NMSA 1978 states, "[t]he purposes of the Procurement Code are to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity."

*Effect:*

The Department may not be allowing individuals that they contract with to procure goods and services at the best obtainable price.

*Cause:*

The Department's request that contractors procure goods and services directly from their own enterprise fund without a formally adopted set of procurement rules, as required by state statute.

*Auditors' Recommendation:*

We recommend the Department formally adopt procurement rules for CI in compliance with State Statute.

*Management Response:*

The Department realizes that it misinterpreted the Corrections Industry Act. In particular 13-1-189(A), "[A]ll state agencies shall purchase and all local public bodies may purchase items of tangible personal property and services offered pursuant to the provisions of the Corrections Industries Act. As such, the Department will ensure that all intergovernmental agreements with counties refrain from using the language "shall" relevant to the purchase of inmate clothing and inmate linens. The Procurement Bureau Chief will work with CI in formalizing procurement rules for the Division to ensure compliance with NM Procurement Law.

**Finding 2016-012 Misuse of Exemption Type (Significant Deficiency)**

*Condition:*

During our review of exempt procurements for the fiscal year, we tested ninety-seven exempt procurements, we noted four instances totaling \$1,212 that do not comply with that exemption type that covers subscriptions, conference registration fees and similar prepayments under \$10,000.

*Criteria:*

Section 13-1-98(J) NMSA 1978 provided the following exemption to the procurement code, "J. purchases not exceeding ten thousand dollars (\$10,000) consisting of magazine subscriptions, web-based or electronic subscriptions, conference registration fees and other similar purchases where prepayments are required."

*Effect:*

The Department is not in compliance with the Procurement Code. Inadequate internal oversight and accounting practices may heighten the potential for fraud or misappropriation of public funds.

*Cause:*

The Department is not properly following the procurement code exemptions.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
Exit Conference  
Year Ended June 30, 2016**

An exit conference was held on November 30, 2016 and attended by the following:

Representing the Department:

David Jablonski, Secretary of Corrections  
Joe W. Booker, Jr., Deputy Secretary of Operations  
Phillipe Rodriguez, Budget Director, Administrative Services Division  
Blanca Sena, Financial Management Bureau Chief/CFO  
Antoinette Solano, Accounting Manager, Financial Management Bureau  
Matilda Peralta, Accounts Payable Supervisor  
Carl Ortega, Budget Bureau Chief  
Kathleen Branchal, Deputy General Services Bureau Chief  
Celina Padilla, Accountant/Auditor, Financial Management Bureau  
Vicki Trujillo, Accountant/Auditor, Financial Management Bureau

Representing the State Auditor's Office:

Sanjay Bhakta, CPA, CGFM, CFE, CGMA, Deputy State Auditor  
Anna Williams, CPA, Financial Audit Director  
Chan Kim, CPA, Audit Manager  
Lisa Jennings, Audit Supervisor  
Kelly Mercer, Investigation Supervisor  
Chelsea Martin, Senior Auditor