STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

Prepared by
Marcus, Fairall, Bristol + Co., L.L.P
Certified Public Accountants
6090 Surety Drive Suite 100
El Paso, Texas 79905
Telephone (915) 775-1040
Section III - Reportable Findings and Questioned Costs – Major Federal Awards

Current Year Reportable Findings and Questioned Costs:

Finding 2006-01: Employees Being Paid As Personal Service Contractors

Condition
The District Attorney employed 24 individuals on an hourly basis to destroy closed cases on the premises and reporting the compensation as personal services contractors.

Criteria
Personal service contractors are in substance employees. The District Attorney is liable for the employees’ share of the FICA and employer FICA match on the contract payments made to these individuals.

Effect
If an employee is classified as an independent contractor and there is no reasonable basis for doing so, there is a liability for employment taxes for that worker in accordance with the Internal Revenue Code Section 3509.

Cause
The District Attorney has the right to control what the worker does and how the worker does his or her job. The business aspect of the worker’s job controlled by the District Attorney was how the worker is paid, whether expenses are reimbursed, the tools and supplies provided. All of these requirements were met for these personal service contractors. They should have been considered employees.

Recommendation
The District Attorney should place these individuals on the payroll as employees and pay the required employment tax. An alternative would be to lease these individuals from an employee leasing firm to perform the services required. The leasing company would be responsible for the employment tax.

Response
This recommendation will be implemented.