

STATE OF NEW MEXICO  
COUNTY OF SANDOVAL  
IN THE DISTRICT COURT

FILED IN MY OFFICE  
DISTRICT COURT CLERK

2016 DEC 14 AM 10:50

CHRISTAL R. BRADFORD

STATE OF NEW MEXICO

-VS-

RECORDS HELD AT:

BY \_\_\_\_\_ DEPUTY

STATE OF NEW MEXICO  
DEPARTMENT OF TAXATION AND REVENUE  
1100 SOUTH SAINT FRANCIS DRIVE  
SANTA FE, NM 87504

D1329. SW 2016-156

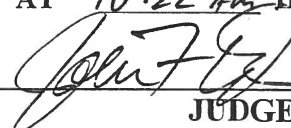
SEARCH WARRANT

THE STATE OF NEW MEXICO, TO ANY OFFICER AUTHORIZED TO EXECUTE THIS WARRANT: Proof by Affidavit for Search Warrant having been submitted to me by, Special Agent Ed Griego, I am satisfied that the person named/described and/or property described in the Affidavit are located where alleged in the Affidavit, and I find that grounds exist for the issuance of the Search Warrant. A copy of the Affidavit is attached and made a part of this Search Warrant.

YOU ARE HEREBY COMMANDED to search forthwith the person and/or place described in the Affidavit, commencing between the hours of 6:00 a.m. and 10:00 p.m. [unless I have specifically authorized a nighttime search as stated below], and continuing thereafter until completed, for the person and/or property described in the Affidavit, serving this Warrant together with a copy of the Affidavit, and making the search and if the person and/or property be found here, to seize the person and/or property and hold for safekeeping until further Order of the Court.

EXECUTING OFFICER (S) are directed to prepare a written inventory of any person or property seized. You are further directed to file the return and written inventory with the Court promptly after execution of this Search Warrant.

DATED THIS 14<sup>th</sup> DAY OF December, 2016 AT 10:22 am HOURS.

  
JUDGE

AUTHORIZATION FOR NIGHTTIME SEARCH

I further find that reasonable cause has been shown for nighttime execution of this Warrant. I authorize execution of this Search Warrant at any time of the day or night for the following reasons:

\_\_\_\_\_  
JUDGE

\_\_\_\_\_  
DATE

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COUNTY OF SANDOVAL  
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D 1329 SW 2016-156

**AFFIDAVIT FOR SEARCH WARRANT**

Affiant is a full-time, sworn law enforcement officer with the New Mexico Office of the Attorney General and is currently assigned to the Special Investigations Division. Affiant has been a full-time, certified law enforcement officer since May 2004. Affiant's duties include follow-up investigations on all felony and misdemeanor crimes to include but not limited to: Governmental Conduct Act, fraud, forgery, embezzlement, theft of identity, racketeering and money laundering crimes. Affiant has received training and has experience in the writing and execution of search warrants.

I, Special Agent Ed Griego, being duly sworn, on my oath, state that I have reason to believe that on the following described premises, vehicle(s), property and/or person(s) of:

State of New Mexico Taxation and Revenue records related to the following individuals and/or business entities:

Demesia Padilla

DOB: [REDACTED] 1960

SSN: [REDACTED]

Jessie Medina, Jr.

DOB: [REDACTED] 1958

SSN: [REDACTED]

Padilla & Garcia, PC

Owners: Demesia Padilla, DOB: [REDACTED] 1960, SSN: [REDACTED]

Camillia Garcia-Sanchez, DOB: [REDACTED] 1967, SSN: [REDACTED]

5400 Phoenix NE

Albuquerque, NM

Harold's Grading & Trucking

Owners: Harold Dominguez, DOB: [REDACTED] 1946, SSN: [REDACTED]

S. Patricia Dominguez, DOB: [REDACTED] 1946, SSN: [REDACTED]

PO Box 54

Bernalillo, NM 87004

**IN THE STATE OF NEW MEXICO, COUNTY OF SANDOVAL THERE IS NOW BEING  
CONCEALED CERTAIN PROPERTY, NAMELY:**

**Items to Be Searched For and Seized**

All records associated with New Mexico Taxation and Revenue Department records of the above named individual, for the date range of January 1, 2011 to December 31, 2013, which include, but are not limited to:

- 1) Personal Income Tax returns (either in paper or electronically) filed by Demesia Padilla or Jessie Medina, Jr. as individuals and/or jointly, for tax years 2011, 2012 and 2013, to include but not limited to the following:
  - a) Time stamp verification of filing
  - b) Any and all attachments to the return, including:
    - i) Statements
    - ii) Attachments
    - iii) Disclosures
    - iv) Line items
- 2) Business Income Tax returns (either in paper or electronically) filed by Demesia Padilla or Jessie Medina, Jr. as individuals and/or jointly, for tax years 2011, 2012 and 2013, to include but not limited to the following:
  - a) Time stamp verification of filing
  - b) Any and all attachments to the return, including:
    - i) Statements
    - ii) Attachments
    - iii) Disclosures
    - iv) Line items
    - v) Schedules
- 3) Any and all W-2 forms for tax years 2011, 2012 and 2013, filed by Demesia Padilla or Jessie Medina, Jr. as individuals and/or jointly
- 4) All sources of income, filed by Demesia Padilla or Jessie Medina, Jr. as individuals and/or jointly, to include but not limited to:
  - a) Employment income
  - b) Business income
  - c) Rental income
  - d) Investment income information
  - e) Miscellaneous income (including jury duty, lottery and gambling winnings, prizes or awards and any other miscellaneous income)
- 5) Any and all 1099 forms for tax years 2011, 2012 and 2013, for additional income earned, filed by Demesia Padilla or Jessie Medina, Jr. as individuals and/or jointly
- 6) Any and all K-1 forms for tax years 2011, 2012 and 2013, for additional income received or earned, by Demesia Padilla or Jessie Medina, Jr. as individuals and/or jointly
- 7) Business Income Tax returns (either in paper or electronically) filed by Padilla & Garcia, PC, for tax years 2011, 2012 and 2013, to include but not limited to the following:
  - a) Gross Receipt Tax filings
  - b) Time stamp verification of filing
  - c) Any and all attachments to the return, including:
    - i) Statements
    - ii) Attachments
    - iii) Disclosures
    - iv) Line items
    - v) Schedules

- 8) Business Income Tax returns (either in paper or electronically) filed by Harold's Grading & Trucking, for tax years 2011, 2012 and 2013, to include but not limited to the following:
  - a) Time stamp verification of filing
  - b) Any and all attachments to the return, including:
    - i) Statements
    - ii) Attachments
    - iii) Disclosures
    - iv) Line items
    - v) Schedules
- 9) Employee records for Demesia Padilla limited to:
  - a) Acknowledgement of internal policies and procedures
  - b) Acknowledgement of the State of New Mexico Taxation and Revenue Department conflict of interest policies or equivalent notifications
  - c) Any and all requests by Demesia Padilla to perform outside work or engagements

### **Background:**

In July 2015, the State of New Mexico Office of the Attorney General (OAG) received an anonymous referral letter authored by unidentified employees from the Department of Taxation and Revenue alleging illegal and financially questionable acts. Subsequent to this letter, the Office of the Attorney General received a referral from the New Mexico Office of the State Auditor (OSA) indicating they had hired an independent accounting firm, McHard Accounting Consulting LLC, to look into allegations received on the OSA fraud hotline. The initial allegations indicated the State of New Mexico Taxation and Revenue Department (TRD) Cabinet Secretary, Demesia Padilla, used her position to obtain preferential treatment for a former tax client. The client was identified as Harold's Grading & Trucking of Bernalillo, New Mexico. The allegations appear to center around potential violations of the Governmental Conduct Act, §10-16-1 to 10-16-18 NMSA 1978, and / or Embezzlement, §30-16-8 NMSA 1978.

### **Investigation:**

In January 2011, Demesia Padilla was appointed as Cabinet Secretary of New Mexico Taxation and Revenue Department, a position she currently maintains. Ms. Padilla was a licensed Certified Public Accountant (CPA) prior to her appointment and is believed to have been working as such prior to her appointment as Cabinet Secretary.

Affiant conducted interviews with several persons who were employed with the State of New Mexico Taxation and Revenue Department during the course of the Harold's Grading & Trucking audit. Based on statements of those interviewed, it appeared that Demesia Padilla may have attempted to circumvent the normal audit process. One interviewee advised they were personally instructed by Demesia Padilla to stop the audit process and send the matter directly to protest. Additionally, during a meeting between high-level State of New Mexico Taxation and Revenue Department employees, a different employee secretly recorded the conversation during which the group was notified that Demesia Padilla had instructed the employee to stop the audit and send it directly to protest. Affiant was informed this action was outside normal practices for audits conducted by the State of New Mexico Taxation and Revenue Department.

Through the course of the investigation, the New Mexico Office of the Attorney General received a letter dated October 19<sup>th</sup>, 2014, signed by Demesia Padilla and addressed to New Mexico Taxation and Revenue Department. The letter is intended as an explanation as to why penalties assessed should be abated. The letter also explains the business relationship between Padilla & Garcia, CPA, and Harold's Grading & Trucking. The

letter went on to explain the process of exchanging accounting information between Demesia Padilla and Harold's Grading & Trucking. She lists reasons Harold's Grading & Trucking would not possess accounting books, records and source documents required in the audit process. Demesia Padilla also stated in the letter that "when Padilla & Garcia ceased doing business, some documents were not transferred to HGT and are no longer recoverable". In her letter, Demesia Padilla states: "...Given the circumstances noted above, the negligence penalty should be abated..."

Another interview conducted with an employee of New Mexico Taxation and Revenue Department revealed that Demesia Padilla approached the employee during the course of the audit of Harold's Grading & Trucking and asked to review a copy of the audit, which was incomplete at the time. The employee did not allow Demesia Padilla to review the incomplete audit due to the potential conflict of interest, noted by the employee.

Another employee of New Mexico Taxation and Revenue was interviewed and told affiant they had learned that Demesia Padilla no longer had the records because she had burned them.

Several interviews were conducted with Harold's Grading & Trucking employees and representatives, to include: Harold and Patricia Dominguez, who are the owners of Harold's Grading & Trucking, Jonathan "Jon" Dominguez, who is the manager and son of Harold and Patricia, and Antoinette Dominguez, who currently handles the finances for the company and is Jon's wife.

During interviews with Antoinette Dominguez, she stated she began handling the financial matters for Harold's Grading & Trucking sometime in February 2013 and recalled the timeframe specifically because it coincided with her birthday. She explained the reasons why she became involved in handling the finances at Harold's. Antoinette indicated that around February 2013 a number of payroll checks, including her husband's check, were returned as non-sufficient funds, which she stated affected the business and her household. Antoinette indicated she requested and received permission from Harold, Patricia, and her husband to look into the financial records and standing of the company at that time. Antoinette went on to explain that she knew Demesia Padilla was the person who had been handling the company's finances for numerous years up until she (Antoinette) took over in February 2013. Antoinette stated when she started looking at the company bank account (which was identified by Harold, Patricia, Antoinette and Jon as Bank of Albuquerque account [REDACTED] 6164) she noticed numerous payments were made electronically to a Chase account appearing on the statements as "Chase EPAY". Antoinette stated she knew Harold's Grading & Trucking did not have a Chase account at that time. She stated she later learned the Chase account belonged to either Demesia Padilla or her husband, Jessie Medina Jr. and that it appeared that it was a credit card.

On April 4, 2016, Antoinette sent Affiant an email stating: "Attached is our Quickbooks report showing the dates, payment amounts going to her husband Jesse Medina. Below is the bank statements showing the dates and amounts of her credit card withdrawals. I don't have the tax returns easily available to me." Attached to the email was a copy of the withdrawal portions of the Bank of Albuquerque records from December 1, 2011 through January 31, 2013, of which Antoinette highlighted 38 transactions totaling \$24,360.10 (Affiant was able to identify 3 additional Chase EPAY transactions in the documents Antoinette provided). These transactions consisted of 37 that were "Chase EPAY" payments and one (1) which was "Cardmember Serv Elect Pymt". Affiant was able to confirm that there were also a significant number of returned checks contained within the January 2013 bank statement. During the course of the investigation, a search warrant was completed for the JP Morgan Chase card belonging to Demesia Padilla and a reconciliation of the payment history was completed.

Antoinette later provided Affiant a QuickBooks Transaction Report with the date range of January 2009 through January 2013, which listed all payments going to Jessie Medina Jr. The report shows there were 12 checks and 32 "auto" transactions totaling \$32,636 paid to Medina during the timeframe. Antoinette indicated that all QuickBooks entries were made by Demesia Padilla prior to her 2013 termination from employment. Upon

review of the QuickBooks Transaction Report provided, Affiant observed the initial payments were listed as checks. However, beginning February 28, 2012, "Auto" transactions appeared as the payment method, with the exception of four transactions which were listed as checks.

A comparison between the QuickBooks Transaction Report and the Bank of Albuquerque statements provided by Antoinette resulted in significant discrepancies between the two source documents. A full reconciliation was completed which allowed Agents to identify and track payments to Padilla & Garcia, PC, Jessie Medina, Jr. and Demesia Padilla.

Further reconciliation of the account belonging to Harold's Grading & Trucking indicated payments to Padilla & Garcia, PC totaling \$17,308.00 for the year 2010; check payments to Demesia Padilla totaling \$990.00 for the year 2011; electronic payments to Demesia Padilla totaling \$1,500.00 for the year 2011, \$22,860.70 for the year 2012 and \$1,000.00 for the year 2013; and check payments to Jessie Medina, Jr totaling \$6,886.00 for the year 2011, \$500.00 for the year 2012 and \$3,292.50 for the year 2013.

Affiant asked Antoinette to explain why she was confident it was Demesia Padilla handling the financial affairs for Harold's Grading & Trucking up until her termination from employment on or about February of 2013. She stated that she observed Demesia, in person, doing the work at the company on occasion. Antoinette also recalled seeing Demesia's green Honda sedan at her in-laws residence, which is also the place of business for Harold's Grading & Trucking. Although Demesia was the person doing the financial and tax work for the company, her husband, Jessie Medina, was the person signing the tax forms according to Antoinette. Tax returns have been provided showing that Padilla and Garcia prepared tax returns for 2009 for Harold's Grading and Trucking. Records indicate that Padilla and Garcia was an accounting business in which Demesia Padilla was a partner in at the time. Jessie Medina Jr. is shown as the tax preparer for 2010, 2011, and 2012 on the returns for Harold's Grading & Trucking.

Antoinette stated once she found the transfers made to the Chase account from the business account, Demesia was confronted about the payments. Antoinette stated this meeting occurred in February 2013 and she recalled that Demesia stated something to the effect that the transfers were money the company owed her (Demesia). Antoinette stated it was at that point Jon dismissed Demesia from employment. Antoinette indicated that she, Jon, Patricia and Harold were all present at this meeting which occurred on or about February 2013 inside the office location of Harold's Grading & Trucking.

Antoinette stated shortly after this meeting she began handling the finances for Harold's Grading & Trucking on or around February 2013. She stated once she began handling the finances she met with Demesia and she stated the purpose of this meeting was to familiarize herself with the processes related to bookkeeping, accounting and tax payment. Antoinette stated at this meeting Demesia provided her with all the various passwords, including the online banking password used to access Harold's Grading & Trucking's bank account, which Antoinette claimed not to have had up until that point. Antoinette stated she believed Demesia was the person who created the online bank account. This was corroborated in subsequent interviews with all authorized signers on the account. Antoinette stated she recalled Harold's Grading & Trucking was behind on filing gross receipt taxes for February through May 2013 and she said Demesia instructed her not to file them all at one time because it could "spark up an audit". Antoinette stated she filed all taxes simultaneously and Harold's Grading & Trucking was subsequently contacted by representatives of Taxation and Revenue and were informed they were being audited. Antoinette said during the audit she was in constant communication with Hector Gomez, the Taxation and Revenue Auditor assigned to the audit of the business. Antoinette stated she believed she saw a copy of the audit results and recalled Harold's Grading & Trucking owed approximately \$80,000.00 in back taxes.

Antoinette stated she discovered during her review of the financial records that before Demesia's appointment to Cabinet Secretary, Demesia's payments for employment from Harold's Grading & Trucking were in the form of

checks made out directly to Demesia Padilla. Antoinette stated that after Demesia's appointment, checks began to be written to her husband, Jessie Medina Jr., for a period and then money began to be electronically transferred from the Harold's Grading & Trucking bank account to a Chase account she believed belonged to either Demesia Padilla and / or her husband, Jessie Medina Jr. Antoinette stated she was not aware of what the agreed upon amount of compensation was for Demesia's services previously. Affiant noted the payments to Jessie Medina, Jr. varied in the source documents provided.

Jonathan Dominguez was interviewed by affiant. He recalled the meeting in which he terminated Demesia Padilla from employment. He indicated he was furious upon learning about the unauthorized transfers of money from the business account to a Chase account. During his interview he stated he believes Demesia took money from the company bank account without anyone knowing or allowing her to do so. He stated he recalled Demesia was surprised that he was yelling at her and his family had to get him to leave because he was so furious with Demesia.

Affiant interviewed Patricia Dominguez. She stated she was not personal friends with Demesia and did not know her prior to hiring her but that Demesia had worked for the company for a number of years. Patricia indicated there was not a contract between Harold's Grading & Trucking and Demesia Padilla. Patricia stated she recalled meeting with Demesia sometime before the Gubernatorial election in late 2010 and Demesia informed her that if she was appointed to Cabinet Secretary, she would no longer be able to handle Harold's Grading & Trucking finances. Patricia indicated that during the time Demesia was an employee, she trusted Demesia with the financial matters related to the company. She further elaborated that she regularly signed documents presented to her by Demesia, but she didn't specifically recall signing checks to Jessie Medina Jr., although she said it was possible she may have done so at Demesia's instruction. Patricia said during her interview, "to be honest with you, there might have been checks that I did make to Jessie, but I don't know if she was telling me to make them to Jessie to cover her." Patricia indicated she wasn't absolutely positive when Demesia was fired from Harold's Grading & Trucking but, did recall the meeting that took place where Jon fired Demesia. Patricia stated it was "awful" and that she had never seen Jon that angry before and that she thought Jon felt betrayed by Demesia. Patricia further recalled that Jon was so angry that he was yelling at Demesia. Patricia stated Demesia said during the meeting the money transferred to the Chase account was money that was owed to her. She stated Jon was so upset in fact, the family had to ask him to leave the meeting. Patricia stated she recalled Demesia being upset with the manner in which Jon spoke to her. Patricia stated she recalled talking to Jon after Demesia left and that Jon told her that Demesia was taking money, but Patricia didn't want to believe Demesia was taking money. Patricia did state that although Jon had fired Demesia during that meeting, she did come back to the office a few times thereafter to handle the payroll checks for Harold's Grading & Trucking.

Patricia also indicated that she knew Jessie Medina Jr., and identified him as Demesia's husband. She indicated that Jessie had previously worked on her personal tax returns, but she was positive that Jessie Medina Jr. was never hired, nor did he ever work for Harold's Grading & Trucking. She stated she was never informed by Demesia that Jessie was going to handle the taxes or business finances. Affiant had Patricia review Harold's Grading & Trucking bank records provided by Antoinette with respect to the payments made to a Chase account(s). Patricia stated she did not make nor did she authorize electronic payments to the Chase account(s). Patricia stated she did not conduct online banking and claimed to have never set up an online account. Patricia stated it was her belief no one was receiving financial compensation from Harold's Grading & Trucking for handling the business finances after January 2011, however Patricia did recall being present at the meeting when Demesia was fired in 2013. Affiant asked if it was possible that Demesia was still working for Harold's Grading & Trucking up until 2013. Patricia stated she might have been.

Harold Dominguez was interviewed by Affiant. He indicated Demesia was the CPA for Harold's Grading & Trucking for a number of years. Harold did recall the meeting the family held with Demesia, but he couldn't

recall when that meeting took place. He also recalled his son, Jon, being extremely upset with Demesia to the point where it appeared Demesia was going to cry. Harold stated he recalled Jon, Antoinette, Patricia, Samantha (granddaughter), and he were all present at the meeting. Harold recalled that during the meeting with Demesia, Jon and Antoinette were asking Demesia about the Chase account, but that she was trying to "blow it away" and he didn't really recall her explaining it. Harold recalled Demesia saying that she was sorry, and that Jon told her that "sorry didn't cut it". Harold stated he didn't stay for the entire meeting so he didn't know if Demesia was fired during that meeting.

Affiant showed Harold a copy of the QuickBooks report showing multiple payments going to Jessie Medina Jr. Harold reviewed the document and stated Jessie Medina Jr. never worked for Harold's Grading & Trucking and that no payments should have been going to Jessie Medina Jr. Harold was also shown a copy of the Bank of Albuquerque payments to a Chase account. Harold stated he never conducted online banking, had no knowledge as to how to do so, nor had he ever viewed the bank statements prior to our meeting. Harold stated he never authorized anyone to make payments to a Chase account.

Affiant obtained records from Bank of Albuquerque relevant to this matter. Affiant reviewed multiple "Collection Entry Reports" and observed forty (40) transactions in which funds were transferred from the Harold's Grading & Trucking account (██████████6164) to "Demesia Padilla". These transactions occurred between December 19, 2011 to January 22, 2013 and totaled \$25,360.70. Affiant was able to confirm the 40 transactions from the "Collection Entry Reports" matched the Chase EPAY transactions listed on the Bank of Albuquerque bank statements provided. Bank of Albuquerque also provided Affiant additional Chase EPAY transactions paid by Harold's Grading & Trucking. Those transactions were reconciled and determined to have been authorized transactions, not payable to "Demesia Padilla", and unrelated to this investigation.

On September 8, 2016, Affiant obtained a search warrant (D-1329-SW-2016-98) for JP Morgan Chase in order to identify the account holder to which the payments from Harold's Grading & Trucking were made. The warrant was served on September 9, 2016. On September 27, 2016, Affiant received a package containing documents pursuant to the search warrant. Upon reviewing the information contained, Agents learned the following information:

Demesia Padilla is the sole owner of the JP Morgan Chase account to which the payments from Harold's Grading & Trucking were made. The account (ending in 0898) is identified as a credit card in Demesia Padilla's name, appeared to have been opened in August 2006. It was initially opened with an address of 5400 Phoenix NE, Suite 101, Albuquerque, NM 87110, however, the records indicated the address changed multiple times over the time period during which documents were requested. The last address Agents observed on the statements was 5300 Beebe St NE, Albuquerque, NM 87111 (March 2013). The address on Phoenix NE is a known business address of Demesia Padilla, while she was employed with Padilla & Garcia, PC. The address 5300 Beebe NE, is owned by Jessie and Casilda T. Medina, according to the Bernalillo County Assessor's Office records. Agents reviewed the Financial Disclosure Statements from 2011 through 2013 filed by Demesia Padilla in which she identifies Jessie Medina, Jr. as her spouse.

Using the JP Morgan Chase credit card statements, Agents reconciled the forty payments, totaling \$25,360.70, to the credit card owned by Demesia Padilla, with the Bank of Albuquerque records of Harold's Grading & Trucking. In addition, there were nine payments, totaling \$15,167.67, made toward the credit card of which the source of the funds is not identified on the statements. Agents contacted Suzanne Story ("Doc Review Sr Specialist I") with JP Morgan Chase and requested the source of the payments (a listed item to be search for and seized in the warrant issued to JP Morgan Chase, D-1329-SW-2016-98). Ms. Story explained the records sought were outside of the normal retention period and were no longer available to JP Morgan Chase.

Based on the reconciliation conducted between Demesia Padilla's JP Morgan Chase credit card and Harold's Grading & Trucking Bank of Albuquerque records, Agents were able to determine Demesia Padilla did receive into her credit card account the funds taken from Harold's Grading & Trucking.

During the course of the investigation Agents obtained the Financial Disclosure Statements filed by Demesia Padilla. The Financial Disclosure Act mandates certain individuals to file a Financial Disclosure Statement each year to the Secretary of State's Office for themselves and their spouse. In the 2013 Financial Disclosure Statement, which provides information for the prior year, Demesia Padilla listed three sources of gross income over \$5,000 as: "Wages", "Rental Income" and "Passive". The Financial Disclosure Act states: "all sources of gross income of more than five thousand dollars (\$5,000) to each person covered in the disclosure statement, identified by general category descriptions that disclose the nature of the income source, in the following broad categories: law practice or consulting operation or similar business, finance and banking, farming and ranching, medicine and health care, insurance (as a business and not as payment on an insurance claim), oil and gas, transportation, utilities, general stock market holdings, bonds, government, education, manufacturing, real estate, consumer goods sales with a general description of the consumer goods and the category "other", with direction that the income source be similarly described. In describing a law practice, consulting operation or similar business of the person or spouse, the major areas of specialization or income sources shall be described, and if the spouse or a person in the reporting person's or spouse's law firm, consulting operation or similar business is or was during the reporting calendar year or the prior calendar year a registered lobbyist under the Lobbyist Regulation Act [Chapter 2, Article 11 NMSA 1978], the names and addresses of all clients represented for lobbying purposes during those two years shall be disclosed." It appears Demesia Padilla did not report any income she received from Harold's Grading & Trucking on her yearly Financial Disclosure Statements, as outlined in the Financial Disclosure Act.

In order to complete a full reconciliation of the JP Morgan Chase credit card account belonging to Demesia Padilla, identification of the source of funds for the additional nine payments (the payments not reconciled to the Harold's Grading & Trucking bank records) is necessary. Affiant learned that during the relevant time frame of the investigation, Demesia Padilla had a bank account with Kirtland Federal Credit Union. While reviewing the Bank of Albuquerque records received from Harold's Grading & Trucking, Agents identified the depository financial institution of checks issued to Demesia Padilla as Kirtland Federal Credit Union. Additionally, Agents located one check (negotiated February 6, 2013 for \$147.00) paid to Harold's Grading & Trucking which was written from Demesia Padilla's Kirtland Federal Credit Union account.

On October 20, 2016, Affiant obtained a search warrant (D-1329-SW-2016-98) for Kirtland Federal Credit Union in order to reconcile the additional payments to the JP Morgan Chase credit card belonging to Demesia Padilla. On October 21, 2016, the warrant was served to Tammie Corriz at Kirtland Federal Credit Union, located at 6440 Gibson Boulevard SE, Albuquerque, NM 87108. On October 26, 2016, Affiant personally retrieved the records produced pursuant to the search warrant.

Agents conducted a reconciliation of the bank account records in order to identify the unknown payments to JP Morgan Chase. The nine payments in question were located within the account records obtained from Kirtland Federal Credit Union. The account used to pay the JP Morgan Chase credit card is a joint account, ending in 0650; it belongs to Demesia Padilla (primary account holder), Demesia P. Medina (joint owner) and Jessie Medina, Jr. (joint owner). This account appears to be the primary account used by Demesia Padilla, in which she received salary from the State of New Mexico and conducted household transactions.

While conducting the reconciliation of the records, Agents observed many deposits from outside sources, unrelated to the State of New Mexico salary earned by Demesia Padilla. According to her Financial Disclosure Statements, Demesia Padilla earned income from the following sources: "rental, salary and investment" (2012 Financial Disclosure Statement) and "wages, rental income and passive" (2013 Financial Disclosure Statement).

Upon reviewing the checks deposited to the account belonging to Demesia Padilla, Agents were unable to determine the nature of the payments from multiple individuals and businesses.

In the two year period of which the search warrant covered, Agents identified approximately \$128,763.44, of unexplained income, deposited to Demesia Padilla's account, which did not include her salary as the State of New Mexico Cabinet Secretary for the Taxation and Revenue Department. Furthermore, the total of unexplained income does not include any salaries paid to Jessie Medina, Jr. from full or part time employment. Two checks were located within the bank account records from Kirtland Federal Credit Union which were issued to Jessie Medina, Jr. but signed over to Demesia Padilla. Some deposits made to the account were from known sources such as the State of New Mexico or the US Treasury. Many deposits were from a known person or business, but it is unknown for what the payments were intended. Additionally, many deposits were from an entity or business which is unknown in its entirety to the investigation and Agents.

Through the examination of the account records, at least eighteen checks were deposited to Demesia Padilla's account from QC Holdings, Incorporated, totaling \$47,753.64. Each check was payable to Demesia Padilla in the amount of \$2,652.98. The purpose of the checks is unclear; there is no reference information listed on the face of the checks. Further investigation by Affiant revealed there were no instances of payments to QC Holdings, Incorporated or their subsidiaries, indicative of a loan. The Financial Disclosure Statements filed by Demesia Padilla, for years 2011 through 2016, were reviewed and a disclosure of financial interest or income from QC Holdings, Incorporated was not mentioned. Agents conducted an examination of the physical properties occupied by QC Holdings, Incorporated or their subsidiaries in the State of New Mexico; ownership of the properties appears to be held by someone other than Demesia Padilla. Therefore Affiant reasonably deduces that the QC Holdings, Incorporated payments received by Demesia Padilla are not rental income. The financial disclosures apply to Demesia Padilla in her capacity as Cabinet Secretary as a State Agency Head under 10-16A-3B. It is necessary to obtain records from QC Holdings, Incorporated in order in to determine if the source of the payments made from QC Holdings, Incorporated are income and therefore subject to the Financial Disclosure Act. Affiant is seeking information regarding QC Holdings, Incorporated in a separate and distinct filing.

Investigation into QC Holdings, Incorporated was conducted. QC Holdings, Incorporated appears to be a short-term lending institution, catering to individuals needing income to sustain until their next pay check. However, it appears QC Holdings, Incorporated did offer investment opportunities, which have since been rescinded.

Agents have identified approximately \$128,763.44 of potential taxable income in deposits to the accounts belonging to Demesia Padilla at Kirtland Federal Credit Union; in addition, \$25,360.70 of potential taxable income was paid toward the personal credit card of Demesia Padilla from the Harold's Grading & Trucking account. The income Demesia Padilla received from Harold's Grading & Trucking was not appropriately documented on the Financial Disclosure Statements filed with the Secretary of State's Office, therefore, it is necessary to review Demesia Padilla's tax returns for the tax years 2011, 2012 and 2013. Evidence of criminal activity, either the failure to properly report income on the Financial Disclosure Statement and/or potential tax evasion or similar crimes, will be held within the tax returns filed by Demesia Padilla.

Additionally, Jessie Medina, Jr. received more than \$5,000.00 during calendar year 2011 which would have been required to be disclosed on the 2012 Financial Disclosure Statement filed by Demesia Padilla, therefore, it is necessary to review Jessie Medina, Jr's tax returns for the tax years 2011, 2012 and 2013. Evidence of criminal activity, either the failure to properly report income on the Financial Disclosure Statement and/or potential tax evasion or similar crimes, will be held within the tax returns filed by Jessie Medina, Jr. Additionally, upon reviewing Harold's Grading & Trucking tax documents, provided by Patricia Dominguez earlier in the investigation, Agents were unable to determine if any funds paid directly toward Demesia Padilla or Jessie

Medina, Jr. for accounting and/or bookkeeping services, either through an IRS form 1099 or a W-2 issued to either party.

All income, regardless of source, must be reported to the State of New Mexico Taxation and Revenue Department and the U.S. Treasury in order for taxes to be appropriately calculated and assessed. Based on the investigation and evidence uncovered thus far, further investigation into criminal acts of tax evasion or similar crimes must be conducted. Evidence of such criminal activity will be held within the tax returns filed by Demesia Padilla and/or Jessie Medina, Jr. Demesia Padilla, as Cabinet Secretary of the Taxation and Revenue Department, oversees and is charged with enforcing the taxation laws for the State of New Mexico. As the Cabinet Secretary, Demesia Padilla has the ability to initiate or discontinue an investigation into any taxpayer, including herself.

Agents have learned through interviews of former and current State of New Mexico Taxation and Revenue Department employees, that current employees of the State of New Mexico Taxation and Revenue Department are prohibited from engaging in outside employment which could be considered a conflict of interest, either to the mission of the agency or the specific duties of the employee. Such conflicts of interest could include employment, consultation, contracting, tax preparation and completing accounting or bookkeeping work for an individual (other than family members) or businesses. A State of New Mexico employee has the opportunity to request permission to have outside employment from their direct employer, however, approval can be based on the perceived or actual conflict of interest which may arise. It is reasonable to believe the State of New Mexico Taxation and Revenue Department has internal policies and procedures to address such requests of outside employment and general employee conduct regarding tax preparation, accounting work, and bookkeeping. The Governmental Conduct Act states that legislative and executive offices of the State of New Mexico shall establish internal codes of conduct, which are based on the Governmental Conduct Act. The New Mexico State Statute section NMSA § 10-16-3, Ethical principles of public service; certain official acts prohibited, establishes guidelines required of public employees or public officers and their actions regarding personal interest or personal benefit; integrity and ethical responsibilities in their public service; disclosure of potential conflicts of interest and avoiding undue influence; and public employees and public officers are prohibited from exchanging anything of value for an official act. Obtaining these policies will demonstrate the existence of internal policies and procedures related to codes of conduct and Demesia Padilla's knowledge of these policies and procedures. Violations of these internal policies and procedures could demonstrate evidence of a violation of the Governmental Conduct Act.

On December 13, 2016, Demesia Padilla and her attorney, Paul Kennedy, voluntarily met with Agents for an interview regarding the State of New Mexico Office of the State Auditor referral and our office's investigation. The interview allowed Demesia Padilla to provide an explanation of the events surrounding the audit, her involvement in the audit and her contact with employees of the State of New Mexico Taxation and Revenue Department. Agents also asked Demesia Padilla about her work with Harold's Grading & Trucking and the compensation she earned. Demesia Padilla advised she began working with Harold's Grading & Trucking the year of the Cerro Grande Fire in New Mexico, which occurred in May 2000. Records on file with the New Mexico Secretary of State Office indicate Padilla & Garcia, PC was established in June 2008. Demesia Padilla brought her clients, including Harold's Grading & Trucking, to Padilla & Garcia, PC when the business was created.

During the interview, Affiant inquired of Demesia Padilla when she last worked with Harold's Grading & Trucking. Demesia Padilla stated, on more than occasion that she ceased doing work with Harold's Grading & Trucking in December 2010, upon accepting her appointment as Cabinet Secretary of the State of New Mexico Taxation and Revenue Department.

Affiant asked Demesia Padilla when she last received compensation for her work with Harold's Grading & Trucking; she responded she continued to receive compensation, after her appointment to Cabinet Secretary, due to a balance owed to Padilla & Garcia, PC. When asked how much she received, the form of payment, and when she was paid, she advised she was unable to remember the information; however, earlier in the interview, she stated she received paper checks until her appointment in December 2010. Evidence obtained during the course of this investigation showed Harold's Grading & Trucking paid Padilla & Garcia, PC in the form of paper checks, for the year 2010; these checks were deposited to a Bank of America account and endorsed with "Padilla & Garcia, PC". Agents further inquired of Demesia Padilla how she documented income received for work done on behalf of Harold's Grading & Trucking, prior to her appointment as Cabinet Secretary. She explained that she did not receive a 1099 or a W2 form, she stated it would be documented on "the books".

When asked for more specificity regarding the payments she received, her attorney advised her not to answer. Demesia Padilla was unable to provide the amount of money she claimed to be owed to Padilla & Garcia, PC, for her work with Harold's Grading & Trucking, but said it was "quite a bit" of money. She further advised there were no invoices or billing statements for the balance she claimed was owed to Padilla & Garcia, PC. At one point in the interview, Agents learned that subsequent to her appointment but prior to the dissolution of Padilla & Garcia, PC, the client files maintained at the Padilla & Garcia, PC office, specifically source documents, were thrown about the storage room and in complete disarray. According to Demesia Padilla, the condition of which she found the files made it impossible to recreate the client files as they previously existed, therefore, she made the decision to destroy the paperwork. Demesia Padilla explained that she and her husband, Jessie Medina, Jr. systematically burned the records; therefore, Affiant is unable to obtain any of those source documents.

Demesia Padilla categorized the money owed for her work as "receivables" through Padilla & Garcia, PC. She also explained that upon her appointment, the clients of Padilla & Garcia, PC were split between the two partners, Demesia Padilla and Camillia Garcia, and that each partner was responsible for collecting their own receivables from those clients. Demesia Padilla advised she kept Harold's Grading & Trucking as her client because of her relationship with the owners. Demesia Padilla advised Agents that subsequent to her appointment as Cabinet Secretary, her husband, Jessie Medina, Jr. began doing work for Harold's Grading & Trucking, she advised "Actually, Jessie stepped into my shoes...in Padilla & Garcia". She also advised that Harold's Grading & Trucking fell behind in the payments to Jessie Medina, Jr. as well.

When Agents asked if Demesia Padilla properly reported the funds she received from Harold's Grading & Trucking after her appointment on her Financial Disclosure Statement, she advised she reported her business interest with Padilla & Garcia, PC, up to the point the entity (Padilla & Garcia, PC) ceased to exist. Available information regarding Padilla & Garcia, PC from the State of New Mexico Secretary of State's Office showed Padilla & Garcia, PC reported a Statement of Intent to Dissolve in May 2013; the dissolution was processed in October 2013. Demesia Padilla did not provide an exact date range of the dissolution of the business. Review of the Financial Disclosure Statements of Demesia Padilla revealed she reported the business interest in her 2011 filing, only.

As previously mentioned herein, forty discrete transactions from the Harold's Grading & Trucking Bank of Albuquerque account, totaling \$25,360.70, between the dates of December 19, 2011 through February 18, 2013, were electronically transferred to a JP Morgan Chase credit card belonging solely to Demesia Padilla. Although Demesia Padilla indicated monies were owed to Padilla & Garcia, PC, none of the documentation of the JP Morgan Chase credit card indicate the business has any ownership in the credit card, nor did the investigation reveal that Padilla & Garcia, PC, received any of the \$25,360.70.

Later, during the interview, Affiant inquired if Demesia Padilla had ever received compensation from QC Holdings, Incorporated. Her attorney did not allow her to answer the question and terminated the interview.

On December 1, 2016, Affiant contacted Jessie Medina, Jr. by telephone to schedule an interview. He was unable to schedule an interview at that time. On December 5, 2016, Affiant contacted Jessie Medina, Jr. by telephone again to schedule an interview. Jessie Medina, Jr. advised he is currently represented by Paul Kennedy and he would be contacting Affiant to schedule the interview. On December 13, 2016, Affiant again requested an interview with Jessie Medina, Jr., upon the conclusion of the interview with Demesia Padilla. As of the time of the presentation of this document, Affiant has not received further correspondence from Mr. Kennedy's office for an interview with Jessie Medina, Jr.

Based on the information above, affiant seeks the personal and business tax return records for Demesia Padilla and Jessie Medina, Jr. held within the State of New Mexico Taxation and Revenue Department. These records will allow affiant to examine evidence of properly reported income and/or the absence of properly reported income. Internal policies and procedures obtained from State of New Mexico Taxation and Revenue Department will allow Affiant to determine whether Demesia Padilla received permission and/or authority to conduct work outside of her normal employment as the Cabinet Secretary of the Taxation and Revenue Department.

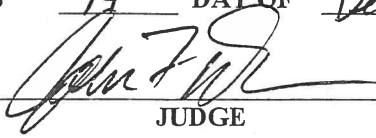
Based on the information above, Affiant seeks the business tax return records for Padilla & Garcia, PC held within the State of New Mexico Taxation and Revenue Department. These records will allow affiant to examine evidence of income received from Harold's Grading & Trucking. Examination of these records will allow a comparison between the records of Demesia Padilla as an individual and Padilla & Garcia, PC as a business, for the funds obtained by Demesia Padilla in the amount of \$25,360.70 between December 19, 2011 and February 18, 2013. Any income received, either as an individual or on behalf of Padilla & Garcia, PC, requires the appropriate taxes to be assessed and paid, additionally, the payment of Gross Receipts Tax for said income is required. Absence of reporting this income and/or the failure to pay Gross Receipts Tax could substantiate evidence of tax fraud or similar crimes.

Based on the information above, Affiant seeks the business tax return records for Harold's Grading & Trucking held within the State of New Mexico Taxation and Revenue Department. Although representatives of Harold's Grading & Trucking have provided Affiant with tax documents, examination of the complete filed tax returns is necessary to review and confirm the payments made for professional services, including tax preparation, accounting and bookkeeping work paid by Harold's Grading & Trucking to Demesia Padilla, Padilla & Garcia, PC, Jessie Medina, Jr. or any combination thereof. Additionally, Affiant seeks to obtain the identity of the tax preparer for the Harold's Grading & Trucking for tax years 2011, 2012 and 2013.

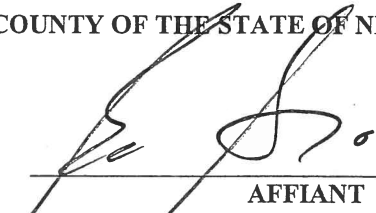
These records will allow affiant to examine evidence of income received from Harold's Grading & Trucking. Examination of these records will allow a comparison between the records of Demesia Padilla as an individual and Padilla & Garcia, PC as a business, for the funds obtained by Demesia Padilla in the amount of \$25,360.70 between December 19, 2011 and February 18, 2013.

As such, a search warrant is respectfully requested for the personal and business tax records for Demesia Padilla and Jessie Medina, Jr. and the above mentioned personnel records for Demesia Padilla and the supporting information described above.

SUBSCRIBED AND SWORN TO BEFORE ME IN THE ABOVE NAMED COUNTY OF THE STATE OF NEW MEXICO,  
THIS 14<sup>th</sup> DAY OF December, 2016.

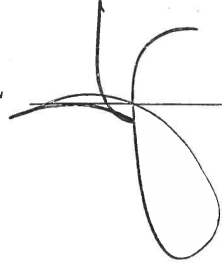
  
JUDGE

District Court Judge  
TITLE

  
AFFIANT

SPECIAL AGENT  
TITLE

APPROVED BY ASSISTANT ATTORNEY GENERAL

 ON 12/14/16

# RETURN AND INVENTORY

FILED IN MY OFFICE  
DISTRICT COURT CLERK

STATE OF NEW MEXICO

-VS-

RECORDS HELD AT:

2016 DEC 15 AM 8:22

CHRISTAL R. BRADFORD

STATE'S COPY

STATE OF NEW MEXICO

DEPARTMENT OF TAXATION AND REVENUE \_\_\_\_\_ DEPUTY

1100 SOUTH SAINT FRANCIS DRIVE

SANTA FE, NM 87504

D.1329. SW. 2016 156

I received the attached Search Warrant on DECEMBER 14<sup>TH</sup> 2016 And executed it on NM TAXATION AND REVENUE  
At 1310 Hours. I searched the person or premises described in the Warrant and left a copy of the Warrant with:

RECORDS HELD AT NM TAXATION AND REVENUE

(name of the person searched or owner at the place of search)

Together with a copy of the inventory for the items seized. The following is an inventory of the property taken pursuant to the Warrant:

- TAX DOCUMENTS FOR DEMESIA PADILLA AND/OR JESSIE MEDINA JR.
- TAX DOCUMENTS FOR PADILLA & GARCIA, P.C.
- TAX DOCUMENTS FOR HAROLD'S GRADING & TRUCKING
- EMPLOYEE RECORDS FOR DEMESIA PADILLA

This inventory was made in the presence of

EP GRIEGO  
Applicant for Search Warrant

And

JENNIFER WEBER

Owner or other witness

[Signature]  
Signature of Special Agent

[Signature]  
Signature of Owner or Witness

Return made this 15<sup>TH</sup> day of DECEMBER, 2016 at \_\_\_\_\_ hours.

\_\_\_\_\_  
(Judge Clerk)

After a careful search, I could not find at the place, or on the person described, the property described in this Warrant.

\_\_\_\_\_  
(Officer)

\_\_\_\_\_  
(Date)