What do I do when the other parent tells the kids everything about the divorce, including lies about me?

It is assumed that the child has reported this to you (Mom says you cheated on her and your new girlfriend is an alcoholic). If you offer up your defense (that's not true, or the truth is...), your child has to grapple with the fact that one parent must be lying, which is not a good feeling. Instead, say, "I'm sorry you had to hear those things about me. All I can say is that you will have to judge me by what you know about me, not by what you hear about me." Or you can, say "That doesn't sound like something I would do, does it? What do you think?" and teach them to think for themselves instead of listening to gossip, hearsay or stereotypes. Turn these kinds of conversations into life lessons instead of "he said/she said."