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

State of New Mexico
Albuquerque Municipal School District No. 12
To the Board of Education
and
Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each discretely presented component unit, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the remaining aggregate fund information of the Albuquerque Municipal School District No. 12, New Mexico (District) as of and for the year ended June 30, 2010, which collectively comprise the District’s basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District’s and discretely presented component units’ nonmajor governmental funds including budgetary comparisons for the nonmajor governmental funds, internal service funds, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and have issued our report thereon dated November 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures 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 District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all
deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 District’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 questioned costs to be material weaknesses, FS 06-14, FS 09-242, FS 08-71.

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 questioned costs to be significant deficiencies, FS 10-05, FS 09-216, FS 09-220, FS 09-222, FS 09-228, FS 07-50, FS 09-71, FS 09-85, FS 08-72, FS 07-90, FS 08-85, FS 09-92, FS 10-27, FS 08-93, FS 09-110, FS 09-113, FS 10-33, FS 08-97, FS 09-138, FS 10-34, FS 09-160, FS 09-164, FS 09-166, FS 09-170, FS 10-45, FS 09-183, FS 08-148, FS 09-189, FS 08-158, FS 10-59, FS 10-60, FS 09-243 and FS 09-245.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District’s financial statements are free of 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
State of New Mexico
Albuquerque Municipal School District No. 12
To the Board of Education

and

Hector H. Balderas
New Mexico State Auditor

which are described in the accompanying schedule of findings and questioned costs as
items FS 07-06, FS 08-04, FS 09-04, FS 08-16, FS 09-05, FS 10-01, FS 10-02,
FS 10-03, FS 10-04, FS 09-15, FS 10-06, FS 10-07, FS 10-08, FS 10-09, FS 10-10,
FS 10-11, FS 10-12, FS 10-13, FS 10-14, FS 07-19, FS 07-21, FS 07-26, FS 08-22,
FS 08-23, FS 08-27, FS 09-229, FS 09-233, FS 07-145, FS 10-15, FS 10-16, FS 08-30,
FS 08-32, FS 10-17, FS 10-18, FS 10-19, FS 09-26, FS 09-32, FS 07-35, FS 07-46,
FS 09-42, FS 10-20, FS 10-21, FS 10-22, FS 09-74, FS 09-78, FS 09-81, FS 09-82,
FS 09-83, FS 09-66, FS 10-23, FS 10-24, FS 08-67, FS 08-68, FS 08-69, FS 09-151,
FS 09-152, FS 09-153, FS 09-154, FS 10-25, FS 10-26, FS 07-93, FS 07-95, FS 07-97,
FS 08-87, FS 09-90, FS 09-93, FS 09-94, FS 09-97, FS 08-89, FS 08-95, FS 09-112,
FS 09-114, FS 10-28, FS 10-29, FS 09-122, FS 10-30, FS 10-31, FS 10-32, FS 09-133,
FS 09-136, FS 07-134, FS 07-140, FS 07-141, FS 07-142, FS 08-103, FS 08-106,
FS 09-140, FS 09-144, FS 10-35, FS 10-36, FS 10-37, FS 10-38, FS 06-162,
FS 08-128, FS 10-39, FS 10-40, FS 08-136, FS 08-137, FS 09-163, FS 09-169,
FS 09-172, FS 10-41, FS 06-178, FS 09-176, FS 10-42, FS 10-43, FS 10-44, FS 10-46,
FS 10-54, FS 10-55, FS 10-56, FS 08-152, FS 08-155, FS 09-195, FS 09-197,
FS 09-203, FS 09-204, FS 09-207, FS 10-57 and FS 10-58.

The District’s response to the findings identified in our audit are described in the
accompanying schedule of findings and questioned costs. We did not audit the
District’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the
Albuquerque Municipal District No. 12 Board of Education, others within the District,
the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico
Public Education Department and Administration and applicable federal grantors and
pass-through entities and is not intended to be and should not be used by anyone other
than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
November 15, 2010
Report on Compliance With Requirements
Applicable to Each Major Program and on
Internal Control Over Compliance in
Accordance With OMB Circular A-133

State of New Mexico
Albuquerque Municipal School District No. 12
To the Board of Education
and
Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of Albuquerque Municipal School District No. 12, New Mexico (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.
State of New Mexico
Albuquerque Municipal School District No. 12
To the Board of Education
and
Hector H. Balderas
New Mexico State Auditor

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA 07-03, FA 08-02, FA 10-01, FA 10-02, FA 10-03, FA 10-04, FA 10-05, FA 10-06, FA 10-07, FA 10-08, FA 10-09, FA 10-10, FA 10-11, FA 10-12, FA 10-13, FA 10-14, FA 10-15, FA 10-16, FA 10-17, FA 10-18, FA 10-19, FA 10-20, FA 10-21, FA 10-22, FA 10-23, FA 10-24, FA 10-25, FA 10-26, FA 10-27, FA 10-28, FA 10-29, FA 10-30, FA 10-31, FA 10-32, FA 10-33, FA 10-34, FA 10-35, FA 10-36, FA 10-37, FA 10-38, FA 10-39, FA 10-40, FA 10-41, FA 10-42, FA 10-43, FA 10-44, FA 10-45, FA 10-46, FA 10-47, FA 10-48.

**Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the District’s internal control to be a material weakness: FA 10-19.
State of New Mexico
Albuquerque Municipal School District No. 12
To the Board of Education
and
Hector H. Balderas
New Mexico State Auditor

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies FA 08-02, FA 10-01, FA 10-02, FA 10-03, FA 10-05, FA 10-06, FA 10-07, FA 10-08, FA 10-09, FA 10-10, FA 10-11, FA 10-12, FA 10-13, FA 10-14, FA 10-15, FA 10-16, FA 10-17, FA 10-20, FA 10-21, FA 10-22, FA 10-23, FA 10-24, FA 10-25, FA 10-26, FA 10-27, FA 10-28, FA 10-29, FA 10-30, FA 10-31, FA 10-32, FA 10-33, FA 10-34, FA 10-35, FA 10-36, FA 10-37, FA 10-38, FA 10-39, FA 10-40, FA 10-42, FA 10-43, FA 10-44, FA 10-45, FA 10-46, FA 10-47, FA 10-48. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Albuquerque Municipal District No. 12 Board of Education, others within the District, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Public Education Department, and applicable federal grantors and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

Albuquerque, New Mexico
November 15, 2010
### Federal Grantor or Pass-Through Grantor / Program Title

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
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#### U.S. Department of Health and Human Services

*Passthrough State of New Mexico Children Youth & Families Department*

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<tr>
<th>Federal Grantor or Pass-Through Grantor / Program Title</th>
<th>Passthrough Number</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
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**Total U.S. Department of Health and Human Services**

632,791

#### U.S. Department of Education

*Passthrough State of New Mexico Department of Education*

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<thead>
<tr>
<th>Federal Grantor or Pass-Through Grantor / Program Title</th>
<th>Passthrough Number</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
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<td>Title I</td>
<td>24101</td>
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<td>Entitlement IDEA B</td>
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<td>IDEA B Private School</td>
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<td>Preschool IDEA-B ARRA (IDEA B Cluster)</td>
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<td>Total - Teacher/Principal Training / Recruiting</td>
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<td>4,790,991</td>
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## Schedule of Expenditures of Federal Awards

**June 30, 2010**

Amounts are reported in dollars.

<table>
<thead>
<tr>
<th>Federal Grantor or Pass-Through Grantor / Program Title</th>
<th>Passthrough Number</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
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<tbody>
<tr>
<td>Safe &amp; Drug Free Schools &amp; Community</td>
<td>24157</td>
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<td>21st Century Community Living Centers</td>
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<td>Carl Perkins Secondary - Current</td>
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<td>Carl D. Perkins-Secondary Redistribution</td>
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<td>Education of Homeless</td>
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<td>Education of Homeless ARRA</td>
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<td><strong>Education Technology Charter School Total</strong></td>
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<td>Teaching American History</td>
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<td><strong>Title VII Impact Aid Special Education</strong></td>
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### U.S. Department of the Interior

**Direct to Albuquerque Public Schools**

- Johnson O'Malley                                  | 25131              | 15.130      | 144,666              |

**Total U.S. Department of the Interior**              |                    |             | 144,666              |

### U.S. Department of Defense

**Direct to Albuquerque Public Schools**

- Collaborative Research & Development                | 25112              | 12.114      | 9,854                |
- ROTC                                               | 25200              | 12.357      | 14,857               |

**Total U.S. Department of Defense**                   |                    |             | 24,711               |

### U.S. Department of Transportation

- Safe Routes to School                               | 25146              | 20.205      | 22,209               |

**Total U.S. Department of Transportation**            |                    |             | 22,209               |
## Schedule of Expenditures of Federal Awards

**June 30, 2010**

### Federal Grantor or Pass-Through Grantor / Program Title

<table>
<thead>
<tr>
<th>Federal Grantor or Pass-Through Grantor</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
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<tbody>
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<td><strong>U.S. Department of Agriculture</strong></td>
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<td>School Lunch Program</td>
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<td>School Lunch Program Charter School Total</td>
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<td>Total - School Lunch Program</td>
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<td>U.S.D.A Commodities</td>
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<td>Fresh Fruit and Vegetables Charter School Total</td>
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<td>Total - Equipment Assistance Program (ARRA)</td>
<td></td>
<td>69,778</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Agriculture</strong></td>
<td></td>
<td>24,267,221</td>
</tr>
</tbody>
</table>

### Total Federal Financial Assistance

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>172,253,035</td>
</tr>
</tbody>
</table>

(*) Denotes Major Federal Financial Assistance Program

### Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**

   The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Albuquerque Public School District (District) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. **Subrecipients**

   N/A

3. **Non-Cash Federal Assistance**

   The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2010 was $1,840,067 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.550. Commodities are recorded as revenues and expenditures in the food service fund.

4. **Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

   **Primary Government**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total federal awards expended per Schedule of Expenditures of Federal Awards</td>
<td>162,288,453</td>
</tr>
<tr>
<td>Total expenditures funded by other sources</td>
<td>882,783,651</td>
</tr>
<tr>
<td>Total expenditures, governmental funds</td>
<td>1,045,072,104</td>
</tr>
</tbody>
</table>

   **Component Units**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total federal awards expended per Schedule of Expenditures of Federal Awards</td>
<td>9,964,583</td>
</tr>
<tr>
<td>Total expenditures funded by other sources</td>
<td>67,751,135</td>
</tr>
<tr>
<td>Total expenditures, all sources</td>
<td>77,715,717</td>
</tr>
</tbody>
</table>

   **Schedule of Expenditures of Federal Awards**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Government</td>
<td>162,288,456</td>
</tr>
<tr>
<td>Component Units</td>
<td>9,964,579</td>
</tr>
<tr>
<td>Total Schedule of Expenditures of Federal Awards</td>
<td>172,253,035</td>
</tr>
</tbody>
</table>
SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of auditors’ report issued  Unqualified
2. Internal control over financial reporting:
   a. Material weakness identified?  Yes
   b. Significant deficiencies identified not considered to be a material weaknesses?  Yes
   c. Noncompliance material to financial statements noted?  Yes

Federal Awards:

1. Internal control over major programs:
   a. Material weaknesses identified?  No
   b. Significant deficiencies identified not considered to be material weaknesses?  Yes
2. Type of auditors’ report issued on compliance for major programs  Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes
4. Identification of major programs:
   
<table>
<thead>
<tr>
<th>CFDA</th>
<th>Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.010/84.389A</td>
<td>Title I Cluster</td>
</tr>
<tr>
<td>84.367</td>
<td>Title IIA</td>
</tr>
<tr>
<td>84.027/84.173/84.391A/84.392A</td>
<td>Entitlement IDEA B/Preschool IDEA B Cluster</td>
</tr>
<tr>
<td>84.394</td>
<td>Federal Stimulus (ARRA)</td>
</tr>
<tr>
<td>84.048</td>
<td>Carl Perkins</td>
</tr>
</tbody>
</table>

5. Dollar threshold used to distinguish between type A and type B programs:  $3,000,000
6. Auditee qualified as low-risk auditee?  No
SECTION II - FINANCIAL STATEMENT FINDINGS

ALBUQUERQUE PUBLIC SCHOOLS

FS 06-14  Capital Assets Recognition

*Condition:* The District is maintaining a capital asset listing; however, audit procedures indicate that the finance department is not consistently provided necessary and accurate construction in progress information from the facilities department regarding the status of District construction in progress projects. In addition, there were a significant amount of “duplicate” items that was uploaded into the capital asset module.

*Criteria:* Per NMAC 22.24 through 26, capital assets shall be acquired and accounted for through the development and implementation of a complete property control system.

*Effect:* The District has issued bonds for the purpose of constructing facilities to meet the needs of the District. Communication between the District’s facilities department and the finance office is important to ensure each asset owned by the District is recorded and recognized on the capital asset listing as required by Generally Accepted Accounting Principles and Governmental Accounting Standards. The process is important to insure the District’s assets are accurately recognized in the financial statements which affect the District’s bonding issues relating to the construction and maintenance of District Facilities. Additionally, there was a significant amount of duplicate items in additions for current year activity for capital assets. This caused the District to manually perform reconciliations and increases the chances for overstating capital assets.

*Cause:* The District is extremely active with construction transactions as a result of a growing community and increased student counts. In addition, the District is performing uploads to the capital asset management system multiple times.

*Auditor’s Recommendation:* We recommend that the District implement a system in which the finance office receives timely and accurate information relating to construction transactions from the District’s facilities department in a form which complies with related accounting principles.

*Management Response:* APS Management agrees on the importance of the finance department receiving timely information on the status of construction in progress from the facilities department. Management also acknowledges the importance of having accurate information uploaded to the capital asset module. APS has contracted with an outside firm to conduct a comprehensive process workflow between the finance department and the facilities department. An identified need is the process through which projects are closed and removed from the construction in progress schedule and properly capitalized on the capital asset listing as required by Generally Accepted Accounting Principles and Governmental Accounting Standards.

FS 07-06 - Board of Education Reimbursement

*Condition:* It was noted during our inquiry of District personnel and review of accounts payable checks that the members of the board are not paid through payroll, rather they are paid through regular disbursements through accounts payable.
Criteria: Publication 963, Chapter 4 and IRC §3401(c), states that "the term employee includes an officer, employee, or elected official of the United States, a State, or any political subdivision thereof." In other words, an officer, employee, or elected official of a state or local government is an employee for income tax withholding purposes. For purposes of social security and Medicare (FICA) taxes, employee status is determined under the common-law control test, unless a Section 218 Agreement is in place and specifically covers the position.

Effect: The District is not in compliance with federal wage laws.

Cause: A New Mexico statute mandated that District board members could not be District employees, which caused some confusion and was determined to be in conflict of IRC §3401(c).

Auditors’ Recommendation: We recommend that the District begin processing board reimbursements accordingly in order to avoid potential penalties for not complying with state and federal wage laws.

Management Response: Management is in the process of completing a closing agreement on final determination covering specific matters that will resolve this issue. Beginning January 1, 2011, and for all periods thereafter, elected board of education members will be treated as employees for all federal employment tax purposes and be issued a form W-2.

FS 08-04 – Budgetary Conditions

Condition: The district has expenditure functions where actual expenditures exceeded budgetary authority.

24182 Carl Perkins HSTW Redistribution 605
26125 Wallace Foundation 1,131
Total 1,736

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require the budgets not be exceeded at the level of control. For school districts, the expenditure function is the legal level of control.

Cause: The district did not have the procedure in place to monitor its budgets effectively.

Effect: The district is over-expendng its budget.

Auditor’s Recommendation: The district should establish a policy of budgetary review at year-end and make the necessary adjustments.

Management Response: Management will put in place controls so that this problem will not occur in the future.

FS 09-04 IT Security of Password Policy and Regular Review of Network Security
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Condition: As part of our Technology Environment Observation, we noted that the current password policy does not require users to change their passwords. In addition, access controls were not reviewed or tested during the year.

Criteria: According to the FIPS Publication 112, controls should be in place for the security of the network of a governmental entity. In addition NMAC 1.12.11.16 also stipulates policies regarding the use of passwords in connection with the sharing of information on state agency databases. A password policy should be uniform across the schools regardless of an employee’s status or role, and should include access to even non-critical systems.

Effect: This results in technology environment vulnerability and can lead to intrusion attempts.

Cause: During the implementation of LSF9 Upgrade Project, there were technical issues encountered which delayed the activation of the password policy.

Auditors’ Recommendation: We recommend that the District review their password policy and make necessary changes to help protect security of the network.

Management Response: A Board of Education policy will be presented for approval at the December 2010 BoE meeting to require all APS computer users to protect their passwords.

21ST CENTURY PUBLIC ACADEMY

FS 08-16 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority.

<table>
<thead>
<tr>
<th>Instructional Materials</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Instruction</td>
<td>$10,636</td>
</tr>
<tr>
<td>Idea B Entitlement</td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>$28,998</td>
</tr>
<tr>
<td>Idea B Federal Stimulus</td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>$5,139</td>
</tr>
</tbody>
</table>

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures is the legal level of control.

Effect: The control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to cover over-expenditures.

Cause: The business manager failed to perform BARS at year end.
**Auditor’s Recommendation:** The school should establish a policy of budgetary review at year-end and make the necessary adjustments.

**Management’s Response:** The school will establish a policy of budgetary review at year-end and make the necessary adjustments.

**FS 09-05 – ERB and RHC Reports and Contributions**

**Condition:** During our testwork, we noted that the ERB and RHC contributions according to the monthly reports did not agree to the general ledger. The reports submitted to the Educational Retirement Board and Retiree Health Care Administration should agree with the School general ledger for the fiscal year. We also noted that six of the RHC reports were submitted late. We also noted that two of the ERB reports submitted were late.

**Criteria:** NMAC 2.82.9.8 (C) requires that monthly contributions from employees and local administrative units be postmarked no later than the 15th day of the month following the month for which the contributions are withheld. Those contributions must be accurately reported and agree to School financial records. Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

**Effect:** ERB and RHC reports either have been filed inaccurately or filed without reconciliation to the general ledger. Lack of proper internal control and reconciliation over ERB and RHC reporting may result in fines and penalties.

**Auditor’s Recommendations:** The School should implement policies and procedures to ensure that reports are reconciled with the general ledger and submitted in a timely manner. It is essential that reports be verified for accuracy before submission. Also, all employee files should be reviewed to ensure that correct contribution rates are applied.

**Cause:** It appears that the School did not reconcile the monthly reports with the general ledger to ensure accuracy.

**Management Response:** All ERB and RHC reports have been filed accurately and reconciled with the general ledger. ERB is paid through the bank wire to insure their timeliness. NMRHC is mailed out. It has been discovered that the General ledger does agree with the reports. It was noted that the liabilities were adjusted and therefore made the final amounts look as if the GL and the reports were not equal were they actually were.

The school implemented policies and procedures to ensure that reports are reconciled. After the payroll deductions are reconciled for the payment, than the report is forwarded to the business office with a spread sheet showing the reconciliation of the deductions with the report. The report is reviewed by the business manager and the contract CPA to insure the accuracy of the deductions and entries to the general ledger.

**Auditor’s Response:** Based on documentation provided, there was no evidence to show that reports for ERB and RHC were submitted timely. We also noted no evidence that reports are being properly reconciled.

**FS 10-01 Cash Receipts**
Condition: During our cash receipts test work we could not determine whether a receipt in the amount of $1,810.57 had been properly deposited within 24 hours.

Criteria: NMAC 6.20.2 states that “money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

Effect: Lack of supporting documentation increases the risk of an entry that is fraudulent to be posted to the system. The School was not in compliance with State Statute.

Cause: Client did not follow their policies and procedure in regards to this receipt.

Auditor’s Recommendation: We recommend that policies and procedures be implemented that tracks and maintains all items relating to cash receipts.

Management’s Response: This deposit was receipted into the accounting system as well as deposited into the bank in a timely manner. We will protest this finding as a wrong finding.

Auditor’s Response: Based on documentation provided, there was no date stamp or other documentation to show when the item noted above had been received. We could not verify that deposit was properly made within 24 hours.

FS 10-02 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to perform a BAR for the carryover of Instructional Materials.
- The school failed to perform a BAR for Idea B Federal

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The control established by the use of budgets has been compromised.

Cause: The School had not properly reconciled their federal charter expenditures.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: Management will perform BARS for funds with rollovers and any other Budget adjustments.

FS 10-03 PED Cash Reports/Budget Reports
**Condition:** The School’s cash report to the Public Education Department did not agree to the General Ledger. We also noted that several of the YTD expenditure and revenue amounts that were reported to PED on the budget to actual report did not agree to the General Ledger.

**Criteria:** According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

**Effect:** PED does not have an accurate accounting of the school activity.

**Cause:** The report sent to PED was not reviewed to ensure that it reflects what is in the general ledger. The school is in violation of NMAC 6.20.2.11 (B) (6) and Regulation SBE-6.

**Auditor’s Recommendation:** The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report does match the general ledger.

**Management’s Response:** This particular issue was discussed with the software company prior to the end of the school year. It was noted that the cash report and the OMBS upload matched. The problem was that the general ledger and the upload (which was generated directly from the accounting software) did not match. This issue will be ironed out before the next quarterly report is uploaded to the PED. Management is currently working with the software company, contracted CPA and the business manager to iron this out.

**FS 10-04 Untimely Federal Reimbursement**

**Condition:** We noted that the school has $1,286 of unspent fund sitting in cash for Beginning Teacher Mentoring Program that they have not paid back to the state. We also noted that the school received an additional $1,934 for Idea B Entitlement and have not returned the funds to APS.

**Criteria:** Office of Budget and Management Circular A-133; Applicable Compliance Supplements mandate proper accounting of federal funding.

**Effect:** PED and APS have not received the funds owed back to them.

**Cause:** The School is not monitoring the grant.

**Auditor’s Recommendation:** We recommend that the school refund the state and APS as this money does not belong to the school.

**Management’s Response:** The additional funding for the IDEA B was FORCED on the school by PED not APS. I had submitted a Rfr for the amount of the allowed budget and the STATE insisted on paying the amount of the general ledger instead. I was going to reclassify the $1,934 to SEG contract. PED handled the Rfr for IDEA B 2009-10. As for the $1,286 of beginning teacher mentoring that is a grant that is sent to the school to cover contracted help for first and second year.
teachers. The amount that was billed to us by the contracted company was less than the amount sent. I have never been asked to send any funds back to either that state or to APS.

**Auditor’s Response:** Based on documentation provided by the grants department of APS the school is required to return the funds that were over the allocation. We also noted that per the grant award for Beginning Teacher Mentoring, all funds were to be expended by June 30, 2010.

**FS 10-05 Internal Control Structure**

**Condition:** During our test work we noted the following:

- We noted the purchase of capital assets were posted to rent expense account instead of a capital outlay account.
- Functions are not kept for fixed assets causing depreciation to be unallocated between functions.
- We noted expenses were not re-classed from the Operational Fund to EMSI and PSCOC.
- We noted expenses were incorrectly posted to Idea B Entitlement instead of the Operational Fund.
- We noted that school did not post expenditures to fund 27138 in prior year. The grant award had been expended in the prior period and should not have had a cash or fund balance in current year.
- We noted that principal contract was signed on August 16, 2009—however board did not approve principal’s contract until November 10, 2009.

**Criteria:** Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Per NMAC 6.66.38 “no administrator contract, including any amendment or addendum, shall be signed, entered into, or executed that has not first been properly noticed and voted on openly at public meetings held pursuant to the Open Meetings Act (10-15-1 to 10-15-4, NMSA 1978). No administrator contract, including any amendment or addendum, shall be signed, entered into, or executed that permits the payment of monies, dividends, differentials, bonuses, incentives, salary, wages, or renewal inducements where the payment is neither tied nor traceable to services actually rendered.

**Effect:** The school does not have an accurate accounting on a cash basis. The school is also in violation of 6.66.38.

**Cause:** Coding is not being checked when the Purchase Order is entered by the Business Manager. The principal contract was not approved until the next available quorum.

**Auditor’s Recommendation:** Account coding should be carefully checked before posting transactions. We also recommend that the principal contract be approved before the contract period begins.
Management’s Response: Management will endeavor to check account monthly to insure proper classification. The Governance Council will be responsible for approving the Principals contract at an open meeting in August before the beginning of the new contract year.

ACADEMIA DE LENGUA Y CULTURA

FS 09-15 RHC Contributions

Condition: We noted on the RHC reports for July and August were not sent until August 13, 2009 and September 14, 2009, respectively.

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

Effect: The school was in violation of RHC requirements and could be subject to penalties.

Cause: The school failed to make the RHC contributions timely.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that RHC contributions are processed and paid timely.

Management’s Response: Payments for RHC monthly contributions are being paid in a timely manner. The checks for the above mentioned payments were however generated on 08/04/09 & 09/09/09 (before the 10th), but the contribution forms were not signed by the former principal until the 14th of the month.

FS 10-06 – Procurement Code

Condition: During the year ended June 30, 2010 we noted that the school did not go out to bid for IT Services. Total amount paid to vendor was $64,953.

Criteria: As indicated in NMAC 1.4.1.14 through 1.4.1.28, an internal control structure over purchasing shall be established and maintained to assure compliance with school district policy and state and federal regulations in assurance that all the bids are supported by the proper documentation.

Effect: The school is not in compliance with NMAC 1.14.1.14 through 1.4.1.28.

Cause: The School was unclear as to the total amount of service they were to receive.

Auditor’s Recommendation: We recommend that the school designate a procurement agent who would be accountable for maintaining records and ensuring State and Federal procurement policies are being implemented and followed.

Management’s Response: This has been corrected. Bids are required for all services over $20,000, the new principal and the current business manager are aware of all policies and procedures.
FS 10-07 – Timely Deposits

Condition: During our audit test work we noted that a transaction in the amount of $5,360.87 was not deposited within 24 hours.

Criteria: NMAC 6.20.2.14 requires that the school makes all deposits within 24 hours of receiving the funds.

Effect: The finding resulted in a violation of State law. Additionally, the School has exposed itself to possible misappropriation of assets.

Cause: The school failed to make its deposit timely.

Auditor’s Recommendation: We recommend policies and procedures be implemented to ensure deposits are made within 24 hours of receipt.

Management’s Response: The business manager, principal and office manager are all aware of the importance of timely deposits. Policies and procedures have been implemented to ensure timely deposits.

FS 10-08 – Anti-Donation

Condition: During the audit we noted the following:

- The Principal used the school credit card for personal use.
- The Principal withdrew $7,668.80 of funds from the school’s bank account for personal use. The funds were returned back to the school.

Criteria: Article IX, Section 14, of the Anti Donation Clause states that public funds may not be expended for the benefit of someone other than the intended recipients.

Effect: The school is in violation of the Anti Donation Clause.

Cause: The principal was able to make withdraws from the bank account and had direct access to cash.

Auditor’s Recommendation: We recommend the school review all expenses to ensure that their funds are solely for the benefits of the students.

Management’s Response: The principal for FY09-10 has since left the school.

FS 10-09 Internal Control Structure

Condition: During our test work we noted the following:

(1) A purchase order was created after services were performed and after the invoice date. The total amount of the P.O. and invoice amount was $7,312.50.
(2) We noted during the travel per-diem testwork that there was a disbursement to a former employee for expenses in the PY fiscal year in the amount of $3,536.60. We noted there had no P.O.’s in the prior year approving the expense.

(3) Reconciliation was not provided for the carryover balance in the National Council of La Raza fund.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: This resulted in a violation of NM AC 6.20.2.11 (b) and Regulation SBE-6. Additionally, PED does not have an accurate reporting of the school’s activity.

Cause: Lack of communication between principal and business manager. If and when a P.O. needed to be adjusted or created the information was not relayed to the business manager therefore the PO was not revised or generated.

Auditor’s Recommendation: We recommend that the school ensure that all purchase orders are properly approved before service date. We recommend that policies and procedures are implemented to ensure that the disbursements are in the correct period. We recommend that the school perform a reconciliation of the carryover balance in the National Council of La Raza fund.

Management’s Response: Requisitions/Purchase orders are generated prior to the purchase of any services and/or goods. Policy and procedures have been enforced to ensure that we are in compliance with our internal policies and procedures. All staff is required to fill out a Request for District Travel form if and when they want to attend a conference/workshop or training. All requests for district travel are reviewed and approved by Principal prior to travel arrangements being made upon which a requisition/PO is generated. Reconciliations of all grants will be completed by the business manager and reviewed and approved by the principal before the end of each fiscal year.

FS 10-10 Audit Committee

Condition: The school has not created an audit committee.

Criteria: Per HEC/HB227&251, “each local school board shall appoint an audit committee. The audit committee shall (1) evaluate the request for proposal for annual financial audit services; (2) recommend the selection of the financial auditor; (3) attend the entrance and exit conference for annual and special audits; (4) meet with external financial auditors at least monthly after audit field work begins until the conclusion of the audit; (5) be accessible to the external financial auditors as requested to facilitate communication with the board and superintendent; (6) track and report progress on the status of the most recent audit findings and advise the local school board on policy changes needed to address audit findings; (7) provide other advice and assistance as requested by the local school board; (8) be subject to the same requirements regarding the confidentiality of audit information as those imposed upon the local school board.
Effect: The school is not in compliance with laws and regulations.

Cause: Due to the change in personnel an audit committee has not been set-up yet.

Auditor’s Recommendation: We recommend that the school follow the requirements for the audit committee and create policies and procedures to utilize the audit committee.

Management’s Response: Due to the change in personnel and board an audit committee had not been established, however we are currently in the process of establishing an audit committee.

ACADEMY OF TRADES AND TECHNOLOGY

FS 09-216 — Cash Disbursements

Condition: During our test work of cash disbursements, we noted two disbursements where the check was written before the purchase order was created. We also noted that the purchase order was being created and approved after the date of service and after the goods were received or purchased.

Criteria: NMAC 6.20.2.17 states that each school shall establish and implement written policies and procedures for purchasing, which shall be in compliance with the procurement code Section 13-1-21, NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations.

Effect: The proper maintenance of supporting documentation relating to financial transactions is necessary to mitigate possible dual payment of invoices and to resolve possible disputes with vendors, etc.

Cause: The School believed that APTA (the accounting system) would not allow this.

Auditor’s Recommendation: We recommend the School implement a procurement policy in accordance with NMSA 1978 Section 13-1-21 and consistently follow the policy. The School’s policy should identify a percentage or amount that an invoice can exceed the purchase order amount and still maintain efficiency.

Management’s Response: Management will ensure that it implements policies and procedures for purchasing, which is in compliance with the procurement code Section 13-1-21, NMSA 1978.

FS 10-11 – Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority:

<table>
<thead>
<tr>
<th>Entitlement Idea B</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Instruction</td>
<td>$ 63</td>
</tr>
<tr>
<td>Support Services</td>
<td>$ 178</td>
</tr>
</tbody>
</table>
Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: The School did not make necessary budgetary transfers to alleviate the over-expenditures experienced at each function.

Auditor Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management Response: Management has established a policy that ensures that all necessary budget adjustments are completed timely. An AJE was prepared but due to the school moving its location the AJE was not processed prior to 6/30/2010.

FS 10-12 — Credit Card Penalties

Condition: During our test work, we noted that the school paid finance charges on credit cards for the months of November 2009 in the amount of $13.93.

Criteria: All funds allocated to the school are to be spent on allowable expenditures in accordance with NMAC 6.20.2.

Effect: This resulted in unnecessary costs and the abuse and misappropriation of public funds.

Cause: Credit card payments were submitted late.

Auditor’s Recommendation: We recommend the school implement policies and procedures to ensure that all amounts paid by the school are current and allowable.

Management’s Response: Management is reviewing policy that will require all bills to be paid timely, and current.

FS 10-13 — ERB/RHC Contributions

Condition: During our test work we noted the ERB payments for July 31, 2009 ($16,902.22) were not paid until August 18, 2009. We also noted the June 30, 2010 ($4,796) payment had not been processed as of June 31, 2010.

We noted on RHC that the payment for December 31, 2009 ($1,883.10) was not submitted until January 15, 2010 and September 30, 2009 ($1,907.05) was not submitted until October 13, 2009.

Criteria: Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month. Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month.
Effect: The school was in violation of ERB/RHC requirements and could owe a penalty for submitting late reports.

Cause: The school failed to make the ERB/RHC contributions timely.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that ERB/RHC payments are processed and paid in a timely manner.

Management’s Response: Management will ensure that all RHC/ERB contributions are processed and paid timely.

FS 10-14 Internal Control Structure

Condition: During our fieldwork we noted the following:

- We noted that rent expense for Pitney Bowes was not posted to a rent account.
- We noted a training expense posted to a travel account.
- We noted the school expended more than budgeted in the repairs and maintenance accounts.
- Grant award for fund 27154 Beginning Teacher Mentoring could not be located.
- We noted that open PO’s at year-end are not being properly reviewed.
- Documentation could not be provided for the balance in the Family & Youth fund.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: The financial statements could be misleading.

Cause: The school was unaware they had to post grant revenues/expenditures to a fund specified in the PED crosswalk. Documentation was not kept regarding grant awards.

Auditor’s Recommendation: We recommend that school review PED crosswalk/supplement to ensure that grant awards are posted to the correct funds. We recommend all grant documents are kept on file at the school.

Management’s Response: Management will review PED crosswalk to ensure expenditures are posted into the correct account code. Purchase orders are reviewed on the first, second, and third quarter, and reviewed monthly for April, May, and June.

ALBUQUERQUE INSTITUTE FOR MATH & SCIENCE

FS 07-19 - ERB and RHC Contributions

Condition: During our test work, we noted the RHC payments for November 2009 through February 2010 and April 2010 through June 2010 were late. The school also could not provide the

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month. Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Effect: The school received penalties for payments being made late. The school was in violation of ERB and RHC requirements and could be subject to penalties.

Cause: The school did not make timely payments to the ERB or RHCA.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that ERB and RHC contributions are processed and paid timely.

Management’s Response: Management agrees with the findings with regard to RHC. Current year payments and reports have been filed timely. ERB reports had to be amended, and those amendments were filed after the original filing deadlines. However, all but the July payment was made timely, and that payment was late due to the need to amend the report.

FS 07-21 – Budget Adjustment Requests (BARs)

Condition: During testwork, the school did not complete any BARs. We noted that they are required to complete BARS for Operational Fund, Instructional Materials, and Public School Capital Outlay.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests.

Effect: The School was out of compliance with 6-6-6 NMSA 1978.

Cause: Due to turnover of Business Managers, the school did not complete BARs.

Auditor’s Recommendation: We recommend that all Budget Adjustment Requests are properly completed, approved by board, and submitted for PED approval.

Management’s Response: Management agrees with this finding, and has taken steps to correct the situation. BAR’s were actually approved by the Board as required, and uploaded to OBMS. However, they were not properly submitted by the Business Manager such that they were forwarded to either the Budget analyst or the Director for approval. The Business Manager has reviewed the procedures, and this situation will not be repeated.

FS 07-26 - Budgetary Conditions

Condition: The School has expenditure one function where actual expenditures exceed budgetary authority.

<table>
<thead>
<tr>
<th>Public School Capital Outlay</th>
<th>$ 154,665</th>
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<tr>
<td>Capital Outlay</td>
<td>$ 154,665</td>
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II-24
Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the expenditures is the legal level of control.

Effect: The School has not complied with New Mexico law, and the control established by the use of budgets has been compromised.

Cause: The school was not maintaining their budget.

Auditor’s Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budget adjustments.

Management’s Response: The school has not ever actually exceeded budget authority, and did not do so in this instance. In fact what happened was that the entire amount of rent paid by the school was built into its budget in fund 11000, and the school did not exceed that amount. However, what did happen was that, as mentioned above, the school did not successfully submit a BAR for the rent reimbursement it received. As a result, that reimbursement was shown as revenue in Fund 11000, and the rent expenditures were later allocated to fund 31200. While there was a failure to properly process the BAR, the school did not actually exceed its budget authority.

Auditor’s Response: We noted that the school reported $154,665 in expenditures on its fourth quarter report. We noted that the budget is zero. The School exceeded budgetary authority because the school has reported to PED more than it has budgeted during the year.

FS 08-22 PED Cash Reports/Budget Reports

Condition: We noted the cash report and the budget to actual report for the third quarter (Jan-Mar) was not uploaded until June 6, 2010. We also noted the fourth quarter (April-June) was not uploaded until August 11, 2010.

Criteria: According to State regulation 6.20.2.10 reports are due at the department by the last working day of the month following the end of the required reporting period, unless extended to a later date by the secretary of education.

Effect: The school is in violation of NMAC 6.20.2.10.

Cause: The school was reconciling amounts related to balances in accounts causing the reports to be late.

Auditor’s Recommendation: We recommend that the school be aware of the deadlines to submit budget reports and implement procedures to ensure they are done timely.

Management’s Response: The school is aware of the deadlines for submitting budget reports. There were extenuating circumstances that resulted in the delays which will not be repeated. The school was in communication with its Business Analyst at PED throughout.
FS 08-23 Difference with General Ledger

**Condition:** RHC reports did not reconcile to the general ledger for the year ended June 30, 2010. The RHC reports had a difference of $5,363.

**Criteria:** Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation if law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

**Effect:** This could result in penalties and/or interest being assessed to the school.

**Cause:** The school is not periodically reconciling the general ledger to what is being reported on the RHC reports.

**Auditor’s Recommendation:** The School must reconcile the general ledger to the RHC payments to ensure the correct amounts are being submitted.

**Management’s Response:** Management agrees that the RHC payments did not reconcile. This was inadvertent due to an accounting problem with the school’s software. The school has met with, and fully reconciled with RHC.

ALBUQUERQUE TALENT DEVELOPMENT

FS 08-27 RHC & ERB Contributions

**Condition:** During our test work we noted the RHC reports for July 31, 2009 ($254.41) was not submitted until November 9, 2009, August 31, 2009 ($1,449.54) was not submitted until November 9, 2009, September 30, 2009 ($1,452.01) was not submitted until November 9, 2009 and November 30, 2009 ($1,452.05) was not submitted until December 22, 2009. We noted that the ERB report for July 31, 2009 ($2,649.45) was not submitted until August 27, 2009 and the January 31, 2010 ($15,305.97) was not submitted until February 24, 2010.

**Criteria:** Monthly contributions and reports to the Educational Retirement Board (ERB) payments are required to be remitted no later than the 15th of the following month. Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

**Effect:** The school was in violation of RHC and ERB requirements.

**Cause:** The reports were being completed internally by the previous business manager.

**Auditor’s Recommendation:** We recommend that school management implement an internal control system to insure that all liability payments are processed and paid in a timely manner.

**Management’s Response:** The school implemented internal controls to prevent untimely payments in February 2010. The school also has utilized additional assistance from the contracted (new)
Business Manager to initiate the reports and payments. The school has not filed a late report or payment since the adoption.

**FS 09-220 Gross Pay Does not Agree To Contract Amount**

*Condition:* During our test work, we noted that 1 of our 2 items tested we could not agree the pay rate to the stated contract amount. We noted gross amount paid was $2,682.04 and the total recalculated amount per the contracts was $2,841.30 for a difference of $159.26.

*Criteria:* NMAC 6.20.2.18 states that schools must have internal controls in place so employees are paid the correct amounts and that all related deductions are properly accounted for.

*Effect:* The school could be paying employees incorrect amount.

*Cause:* The employee has multiple contracts for various positions held at the school that do not appear to be reconciled to the system.

*Auditor’s Recommendation:* The school should set up paycheck amount in the software according to the employee’s agreed upon contract amount and ensure the related payroll deductions are being calculated correctly and are properly accounted for.

*Management’s Response:* The review process was developed by the contracted (new) Business Manager in the later part of the year to ensure accuracy of the contracts and actual payments to the employees. This isolated instance was caught and corrected in the following fiscal year.

**FS 09-222 Purchase Orders**

*Condition:* During our disbursement testwork, we noted the following:

- We noted that for one out of two credit cards tested there was no purchase order for a total of $1,747.20.

*Criteria:* School is not in compliance with Policies and Procedures as stated in NMAC 6.20.2.10, NMAC 6.20.2.11 and NMAC 6.20.2.17.

*Effect:* The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC 6.20.2.17. The proper maintenance of supporting documentation relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

*Cause:* Since one person was performing the AP function the school did not have control over purchase orders.

*Auditor’s Recommendation:* We recommend that the Charter School develop, implement and enforce Purchasing procedures in accordance with the Procurement Code 13-1-21 and NMAC 6.20.2.
**Management’s Response:** The school is no longer utilizing the Staples credit card without receiving prior authorization through a purchase order. The contracted (new) Business Manager also reviews the accounts payable vouchers to ensure that all processed invoices contain a PO.

**FS 09-228  Cash Receipts-Inadequate Documentation**

*Condition:* One item tested, there was no receipt written for monies received. Total amount of monies received was $200.40. We were unable to verify whether monies were deposited within 24 hours.

*Criteria:* Per NMAC 6.20.2.14 the school shall issue a pre-numbered factory receipt for all monies received. NMSA 6.20.2.14 requires that the school makes all deposits within 24 hours of receiving the money.

*Effect:* Lack of supporting documentation increases the risk of an entry that is fraudulent to be posted to the system.

*Cause:* Due to possible errors in record keeping, supporting documentation may not have been properly completed or may have been misplaced.

*Auditor’s Recommendation:* We recommend that policies and procedures be implemented to ensure that all monies received are issued pre-numbered cash receipt. We also recommend the school implement procedures to ensure deposits are made within 24 hours of receipt.

*Management’s Response:* This was an isolated instance in which the school failed to issue a receipt for a check received from an employee by the prior Business Manager. The school has set-up internal control procedures for issuing a pre-numbered receipt for all monies received regardless if it is for cash or check.

**FS 09-229  Travel & Per Diem**

*Condition:* During our test work we noted one out of four transactions tested where 55 cents per mile was reimbursed instead of the .505 cents allowed. Over payment occurred in the amounts of $10.45.

*Criteria:* Per NMAC 2.42.2.11 employees shall be reimbursed for mileage accrued in the use of a privately owned automobile, fifty and one half cents (.505) (effective 07/01/2009-12/31/2009) per mile pursuant to the mileage chart of the official state map published by the state highway and transportation department for distances in New Mexico or pursuant to actual mileage if the beginning and ending odometer reading is certified as true and correct by the traveler.

*Effect:* Public funds could be misused in the reimbursement of travel and per diem expenditures if proper procedures are not in place. Lack of controls may result in abusive expenditures and possible action from oversight agencies.

*Cause:* School travel policies are not being enforced at all levels.
Auditor’s Recommendation: We recommend that the school follow the Per Diem and Mileage Act when paying per diem and travel reimbursements and that proper documentation is retained by the school.

Management’s Response: The prior Business Manager misinterpreted the rate set-forth in state law regarding the “previous year” rate requirement. The school has corrected the rate and is now in compliance.

FS 09-233 Internal Control Structure

Condition: During our fieldwork we noted two out of four disbursements tested for travel and per diem were coded to the incorrect account. We noted expenditures were for other services.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded property to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: The financial statements could be misleading.

Cause: Invoices were coded without being reviewed.

Auditor’s Recommendation: We recommend that all invoices be verified against contracts, leases, and account numbers before they are paid to the vendor.

Management’s Response: The prior Business Manager was in the process of being trained in coding expenditures. This was an isolated instance in which the Business Manager coded the expense incorrectly. The contracted (current) Business Manager is well versed in the UCOA and is reviewing and approving all payment vouchers to ensure that the correct account code is being used to classify expenditures.

ALICE KING COMMUNITY SCHOOL

07-145 Cash Receipts

Condition: During our test work we noted a deposit for daycare fees of $135 was deposited on 04/05/2010. The receipts are from 03/31/2010 and 04/01/2010.

Criteria: NMSA 6.20.2.14 requires that the school make all deposits 24 hours of receiving the money.

Effect: This resulted in a violation of State laws. Additionally, the School has exposed itself to possible misappropriation of assets.

Cause: Due to funds received from the after school program, the school is unable to make deposits timely.
Auditor’s Recommendation: Implement procedures to ensure deposits are made within 24 hours of receipt and that all cash received at the school is properly receipted.

Management’s Response: AKCS will make every effort to get deposits in within 24 hours of receipt.

FS 10-15 Internal Control Structure

Condition: During our audit we noted the following:

- Our review of cancelled checks, we noted that checks did not have two signatures on check as required by school policy. We noted the following checks did not have two signatures on them: #4398, 4399, 4400, 4380
- We noted that a cash receipt was incorrectly posted into the General fund instead of instructional materials—we noted this cash receipt was reported to PED in the General Fund.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: The School is not following their internal control procedures. Additionally, the School has exposed itself to possible misappropriation of assets.

Cause: A check was sent to the vendor without having the necessary signatures on it. For the cash receipt, the revenue had not yet been moved from the operational fund.

Auditor’s Recommendation: We recommend the school create a policy to ensure that all checks are properly signed before they are mailed or given to the vendor. We also recommend that the school ensure that all revenues are correctly recorded in the right fund.

Management’s Response: AKCS will verify all checks have 2 signatures before sending out payment. Also, wire transfers will be verified before posting to a revenue account.

FS 10-16 RHC Contributions

Condition: During field work, we noted on RHC that the payment for August 31, 2009 ($105.10) was not submitted until September 18, 2009, payment for September 30, 2009 ($1,055.03) was not submitted until October 19, 2009, and payment for October 31, 2009 ($1,157.60) was not submitted November 18, 2009.

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month.

Effect: The school was in violation of RHC requirements and could be subject to penalties.

Cause: The school did not realize that payments were due by the 10th of the month.
**Auditor’s Recommendation:** We recommend that school management implement an internal control system to ensure that RHC contributions are processed and paid timely.

**Management’s Response:** No penalties were assessed however AKCS will make RHC payments by the 10th of the following month.

**AMY BIEHL CHARTER HIGH SCHOOL**

**08-30 Budgetary Conditions**

**Condition:** The School has expenditure functions where actual expenditures exceeded budgetary authority.

| SEG Federal Stimulus Support Services | $   | 3,641 |

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures is the legal level of control.

**Effect:** The school is not in compliance with laws.

**Cause:** The School did not make necessary budgetary transfers to alleviate the over-expenditures experienced at each function.

**Auditor’s Recommendation:** The school should establish a policy of budgetary review at year-end and make the necessary adjustments.

**Management’s Response:** Amy Biehl High School agrees with this finding. At year end, the final adjustment BAR for this fund was overlooked. The grant was not overspent; line item adjustments were not completed. The school will implement procedures to assure that all adjusting BARS will be completed and submitted to the PED by the year-end deadline.

**08-32 State Flow-Through Grant Awards**

**Condition:** During our test work of we noted that the school did not submit timely reimbursement requests. Per the Dual Credit grant award letter, the final reimbursement request was to be submitted by April 1, 2010. We noted that the school did not request the final funds until June 08, 2010.

**Criteria:** Per NMAC 6.20.2.23 ‘For grant money that is sent direct, school districts shall utilize the funding for the purpose in which it was awarded. School districts shall submit complete and accurate reports required by the grant within the prescribed time.’

**Effect:** School is not in compliance with grant requirements and could risk the loss of these funds.
Cause: The school had issues communicating to the PED regarding this grant.

Auditor’s Recommendation: We recommend that all grant stipulations be reviewed regularly to make sure school is in compliance with all grant requirements.

Management’s Response: Amy Biehl High School agrees with this finding. Numerous attempts to communicate with this department over the course of the year, which went unanswered, caused the delay in submitting the second request for reimbursement. The dual credit department accepted, and paid, the late submitted reimbursement request so no money was lost due to the delay.

FS 10-17 Budget Adjustment Requests (BAR)

Condition: During our audit we noted school over budgeted the PNM Foundation fund for the current year. We noted difference of $587 between budgeted carryover ($3,084) and carryover per the prior year financial statements ($2,497).

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The adjusted budget reported to the PED is not correct.

Cause: A BAR to adjust the carryover was never completed.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: Amy Biehl High School agrees with this finding. After the 08-09 audit was completed and the actual carry over cash amount for this fund was determined, a BAR to decrease the carryover cash amount from the estimated was overlooked. The grant was not overspent, but line item adjustments were not completed. The school will implement procedures to assure that all adjusting BARS will be completed and submitted to the PED by the year-end deadline.

FS 10-18 Travel & Per Diem

Condition: During our test work we noted two out of three transactions tested where .55 cents per mile was reimbursed instead of the .505 cents allowed resulting in a $15.43 overpayment. In addition one out of the three transactions did not have proper supporting mileage documentation.

Criteria: Per NMAC 2.42.2.11 employees shall be reimbursed for mileage accrued in the use of a privately owned automobile, fifty and one half cents (.505) (effective 07/01/2009-12/31/2009) per mile pursuant to the mileage chart of the official state map published by the state highway and
transportation department for distances in New Mexico or pursuant to actual mileage if the beginning and ending odometer reading is certified as true and correct by the traveler.

*Effect:* Public funds could be misused in the reimbursement of travel and per diem expenditures if proper procedures are not in place. Lack of controls may result in abusive expenditures and possible action from oversight agencies.

*Cause:* School travel policies are not being enforced at all levels.

*Auditor’s Recommendation:* We recommend that the school follow the Per Diem and Mileage Act when paying per diem and travel reimbursements and that proper documentation is retained by the school.

*Management’s Response:* Amy Biehl High School agrees with this regarding overpayment of the actual mileage rate. The school used the official IRS reimbursement rate of .55 per mile before the Office of the State Auditor implemented this rate at 1/1/10. The school will pay closer attention to when the Office of the State Auditor adjusts the mileage rate for public school employees. We agree with the finding that one of the transactions did not have proper supporting mileage documentation. Apparently the documentation was separated from the reimbursement request and staff is unable to locate it.

**FS 10-19 Internal Control over Fixed Assets**

*Condition:* During testwork we noted the depreciation schedule did not agree to the financial statements and was not being maintained during the year.

*Criteria:* Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

*Effect:* School is not in compliance with NMAC 6.20.2.11.

*Cause:* School was unaware they were responsible for keeping track of assets by function.

*Auditor’s Recommendation:* We recommend the school update their depreciation schedule to agree to the financial statements and ensure that all items are properly classified by function and properly distinguish which items were purchased with federal funds.

*Management’s Response:* Amy Biehl High School disputes the finding that the depreciation schedule has not been maintained. The school does maintain its depreciation schedule and has the depreciation for each asset calculated out for the entire life cycle of each asset on this schedule. The depreciation schedule DOES tie to the financial statements. The issue at hand is that an old, working version of the depreciation schedule was erroneously sent to the outside auditors, the correct version was sent to them when this was pointed out to the school. We agree that the function identification was missing from all versions of the depreciation schedule, including all prior schedules submitted to Moss Adams in the last several years. This omission was only
pointed out to the Finance Director this year; the school researched the purchases and added the function designation to the depreciation schedule. We disagree with Moss Adams Response. We forwarded two versions of the depreciation schedule to Moss Adams, one was the one that should have been sent in the first place (after receiving this finding), the other version was one that Moss Adams provided to the school that the school made adjustments to based on the one stated above. We agree to disagree on this finding.

Auditor’s Response: We noted that the depreciation schedule was only updated after the prior year version kept by Moss Adams was sent to the client. The client had not reconciled her version of the schedule to the financial statements.

CAREER, ACADEMIC & TECHNICAL ACADEMY

FS 09-26 Budget Adjustment Requests (BAR)

Condition: During our audit we noted that the school had included the 2008 library funds in the original budget for instructional materials. We then noted that a BAR was completed for the same amount in the 2008 Library fund. A BAR was not completed to remove the original budget originally entered into instructional materials. The end result is that the amount is included in the final budget twice.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The control established by the use of budgets has been compromised.

Cause: The school did not realize the funds were budgeted by the contract business manager twice.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: CATA used Griego Professional Services, LLC for the school year 2009-2010; the new Business Manager of CATA will ensure that all BARs are properly submitted based on award letter.

FS 09-32 RHC/ERB Contributions

Condition: During our test work we noted the RHC report for August 31, 2009 ($1,194.77) was not submitted until September 14, 2009 and December 31, 2009 ($1,181.62) was not submitted until January 12, 2010. We also noted that ERB payment for July 31, 2009 ($3,724.27) was not submitted until August 27, 2009.
Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15. Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Effect: The school was in violation of RHC and ERB requirements and could owe a penalty for submitting late reports.

Cause: Due to previous business manager not submitting payments on time.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that RHC and ERB payments are processed and paid in a timely manner.

Management’s Response: CATA used Griego Professional Services, LLC for the school year 2009-2010; the new Business Manager will ensure that payments are done timely.

CHRISTINE DUNCAN HERITAGE ACADEMY

FS 07-35 941 Reports

Condition: During field work, we noted a report for 03/31/2010 was not submitted until 05/03/2010.

Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation of law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Effect: The school could receive penalties for payments being made late.

Cause: The school failed to complete the reports on time due to the change in business manager workload.

Auditor’s Recommendation: We recommend that school management implement an internal control system to ensure that all 941 reports are submitted on time.

Management’s Response: The March 2010 941 report was filed three days late due to the workload in April. The new Business Manager completed the school’s budget FY 2010-2011 for the first time in April, and it took more time than expected. The Business Manager records the date when reports are submitted on an Audit Committee Check List, and reports monthly to the Governing Council.

FS 07-46 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to request a BAR for an increase in Instructional Materials.
Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The school is not in compliance with State Statute and faces the possibility of over-spending in the function that this particular Budget Adjustment affected since it cannot be located in the system.

Cause: The School was unaware they received an increase in funds.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system. Management’s Response: The school ordered all textbooks and materials from the Archway NM Book Depository in accordance with the NM Public Education Instructional Material Bureau. A journal entry was made from Fund 24134 to Fund 14000 for the amount over the Instructional Material allocation. The Business Manager is now aware that this is not allowed and will order textbook materials that exceed the allocation from an appropriate fund account.

07-50 Internal Control Structure

Condition: During our test work we noted the following:

- The School is not keeping track of depreciation of their fixed assets.
- We noted that cash receipts for Title III were posted in the wrong fund.
- During our audit we noted that the school is using an account that does not exist on the PED Chart of Accounts (\{11000-0000-00-100-9111\} Cash allocated to Other Funds).

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: This resulted in a violation of NMAC 6.20.2.11 (b) and Regulation SBE-6.

Cause: The lack of fixed asset listing was due to a change in business managers.

Auditor’s Recommendation: The School should keep an updated fixed asset listing. We recommend the school compare cash receipts to reimbursement requests. We recommend the School review chart of accounts.
Management Response:

- The Business Manager has created a depreciation report based on the auditor’s recommendation. The Business Manager has request the depreciation schedule from the previous Business Manager.
- The Title III deposit was erroneously made into the operational account on August 14, 2009. The Business Manager will properly record deposits in the correct fund account.
- The Cash Allocated to Other Funds account code was used internally on the Caselle accounting system to effectively manage the Due To Due From transfers. For school year 2010-2011, the school contracted with Harris School Solutions, AptaFund accounting system that uses the Chart of Accounts that match the Public Education Department.

FS 09-42 – Difference with General Ledger and Cash Report

Condition: During our test work we could not agree the ending balance on the cash report to the final trial balance. The general fund is being reported to PED incorrectly.
Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation if law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Effect: The schools reporting to PED is not correct and PED does not have accurate reflection of the schools cash basis.

Cause: The school is not reconciling to the general ledger to what is being reported on the audited financial statements.

Auditor’s Recommendation: The School must reconcile the general ledger to the audited financial statements.

Management’s Response: The school uses the audited financial statement and the balance sheet to reconcile the general ledger and the cash report. The reports are reviewed by the Albuquerque Public Schools and the Budget Analyst with the Public Education Department. Any discrepancies are corrected before the Budget Analyst will approve the reports. The Business Manager will insure that the general ledger and audited financial statements are reconciled before submitting reports to PED.

FS 10-20 Cash receipts

Condition: During our testwork we could not determine if a receipt was deposited within 24 hours of receipt.

Criteria: NMSA 6.20.2.14 requires that the school make all deposits 24 hours of receiving the money.
Effect: This resulted in a violation of State laws. Additionally, the School has exposed itself to possible misappropriation of assets.

Cause: Not creating a cash receipt when the monies were received.

Auditor’s Recommendation: Implement procedures to ensure deposits are made within 24 hours of receipt and that documentation is provided.

Management’s Response: The school recorded cash/check receipts in a dual sign-in log and issued a pre-numbered receipt for cafeteria and after-school monies. The school has implemented the dual sign-in log and receipting of checks received from the Albuquerque Public Schools and other institutions.

FS 10-21 PED Cash Reports/Budget reports

Condition: We noted the cash report and the budget to actual report for the first quarter was not submitted until November 11, 2009. We also noted the second quarter was not submitted until February 2, 2010.

Criteria: According to State regulation 6.20.2.10 reports are due at the department by the last working day of the month following the end of the required reporting period, unless extended to a later date by the secretary of education.

Effect: The school is in violation of NMAC 6.20.2.10.

Cause: This was due to problems with file uploads through the work computer system. Reports had to be uploaded and verified off campus. In addition, there was a delay because of an IRS payroll review being conducted during that time period.

Auditor’s Recommendation: We recommend that the school be aware of the deadlines to submit budget reports and implement procedures to ensure they are done timely.

Management’s Response: The school was in the process of transitioning to a new Business Manager during the first quarter report. The new Business Manager understood the former Business Manager was going to submit the report. The new Business Manager did not have experience in uploading the actual report in OBMS and was trained in November. The second quarter report was uploaded on January 31, 2010, but contained errors. The Business Manager needed training in correcting the errors and notified the Budget Analyst that the report would be late. The third and fourth quarter reports were submitted on time. The Business Manager records the date when the reports are submitted on an Audit Committee Check List and reports to the Governing Council.

FS 10-22 Pledged Collateral

Condition: During the year ended June 30, 2010 the school maintained and utilized deposited with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2010, the school did have deposits in excess of FDIC limits.
Criteria: Cash equivalents and deposits must be covered by 50% of pledged collateral in accordance with NMSA 1978 Section 6-10-07.

Effect: Lack of proper collateralization may result in non-compliance with state statutes and increase potential liability and exposure to the loss of the District’s public funds in the event of bank closure.

Cause: The District did not monitor repurchase accounts for proper collateralization.

Auditor’s Recommendation: The school should assign an individual within the Finance Office responsible for reviewing monthly reports, investigating differences, and resolving discrepancies.

Management’s Response: The school was $152.80 over the federal deposit insurance corporation (FDIC) on June 30, 2010. The Business Manager made several attempts over the phone and in person with Bank of America throughout the school year to get the pledged collateral on public funds, without success. A Public Funds checking account was opened with Wells Fargo for the 2010-2011 school year and a Depository Pledge Agreement was signed. The Audit Committee will review monthly reports and resolve discrepancies.

CORRALES INTERNATIONAL

FS 09-71 Lack of Authority Signatory on Payroll Registers

Condition: Per client, payroll registers are reviewed by the business manager. During our review of payroll registers we noted none of them had any type of authorization/review sign offs.

Criteria: Sound accounting practices and 2.20.2.11 NMAC requires each school to develop, establish and maintain a structure of internal accounting controls and written procedures. This includes the review process relating to documentation.

Effect: Because there is no review process, the risk of any fraudulent activity is high.

Cause: There is not an established policy in place that allows for the review of payroll before disbursement.

Auditor’s Recommendation: We recommend that policies and procedures be established that designated the individual, other than the one preparing payroll, to perform a final review of payroll to ensure that payroll is accurate and will also mitigate any risk of fraudulent activity within payroll.

Management’s Response: The school implemented new procedures for review of payroll. The new principal/administrator began reviewing and approving payroll in February 2010. The principal/administrator received payroll registers for review and approval prior to final processing of the payroll. The checks and direct deposit slips were delivered to the school for signing and delivery to employees.
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FS 09-74 Board Members

Condition: During review of minutes we could not determine that the school had five members on the board during the year. We noted that the board only had four members for three board meeting during the year listed. Absent members were not properly listed.

Criteria: Per the school bylaws, “the governing council shall establish the number of members, which shall be set at least five and not more than seven.”

Effect: The school is non-compliant with their bylaws.

Cause: The school had board members resign and had a hard time filling spots.

Auditor’s Recommendation: We recommend the school follow all bylaws.

Management’s Response: The school followed all bylaws and will continue to do so. Minutes will reflect members absent in order to record membership of Governing Council at each meeting.

FS 09-78 Contracts

Condition: During our test work we noted that one out of two employee contracts tested was not properly approved.

Criteria: NMAC 6.20.2.18 states that schools must have internal controls in place so employees are paid the correct amounts and that all related deductions are properly accounted for.

Effect: The school is paying employee rates that have not been properly approved by administrators.

Cause: Due to change in administration, contracts were not properly approved.

Auditor’s Recommendation: The school must ensure that all policies and procedures related to payroll and employee contracts are being properly followed.

Management’s Response: Procedures have been implemented for the issuance of employee contracts.

FS 09-81 ERB/IRS Payments

Condition: During our test work we noted the ERB report for January 31, 2010 ($8,890.62) was not submitted until February 16, 2010 ($20,535) and the report for June 30, 2010 was not submitted until July 16, 2010. We also noted that the amount on the reports did not agree to the general ledger. There was a difference of $9,448.

We could not review the report for the September 2009 941 report to verify the amounts and dates that the report was submitted. We also noted a difference of $5,626 from the received reports to the general ledger.
**Criteria:** Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation of law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

**Effect:** The school was in violation of ERB and IRS requirements and could owe a penalty for submitting late reports. Should an IRS audit occur, the school may not have every document in place for a compliance audit.

**Cause:** This was due to an outside payroll company performing the payroll during the year.

**Auditor’s Recommendation:** We recommend that school management implement an internal control system to insure that ERB payments are processed and paid in a timely manner. We also recommend that all documentation is kept by the Business Manager or the school.

**Management’s Response:** The NMCCS Business Manager for the school year 2009-10 took over the processing of payroll and its liabilities for the three last quarters of the fiscal year. Working with the IRS, ERB and other agencies determined that all payments had been made and no penalties were due.

The school has hired an in-house business manager for the 10/11 fiscal year. The school will implement an internal control system to insure that ERB payments are processed and paid in a timely manner and all payments are properly reconciled. Proper documentation will be kept by the school.

**FS 09-82 Budgetary Conditions**

**Condition:** The School has expenditure functions where actual expenditures exceeded budgetary authority.

<table>
<thead>
<tr>
<th>State Flow Though Grant (Charter School Planning)</th>
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<tbody>
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<td>Instruction</td>
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<td>19,331</td>
</tr>
<tr>
<td>Support Services</td>
<td>$</td>
<td>327</td>
</tr>
</tbody>
</table>

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures category is the legal level of control.

**Effect:** The control established by the use of budgets has been compromised.

**Cause:** The School did not make the appropriate budgetary adjustment requests and transfers to alleviate possible over-expenditure within functions prior to the year-end. Additionally, the school failed to submit their budget to PED timely.
Auditor’s Recommendation: The school should establish a policy of budgetary review at year-end and make the necessary adjustments.

Management’s Response: The school will emphasize its procedure of budgetary review of all funds and functions to comply with state regulations.

**FS 09-83 BAR**

**Condition:** During our testwork we noted a BAR was completed and approved in the wrong fund. We noted that the grant award required the BAR be completed for fund 27549 and the actual BAR was completed for fund 14000.

**Criteria:** In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests.

**Effect:** PED does not have the correct reporting.

**Cause:** The school is not following their policies and procedures in getting approval for BARs.

**Auditor’s Recommendation:** We recommend that BARs are approved by the Board during meetings and that management gain better control over document placement.

**Management’s Response:** The NM PED included the budget in the 14000 Final Budget sent to the school. In addition, the NM PED wired the funds with the 14000 Instructional Materials Fund. The school relied on the information provided by the PED. A review of PED documents will be completed in the future.

**FS 09-85 Journal Entries**

**Condition:** During our testwork over the client’s journal entries, we noted that documentation could not be provided for three out of eight journal entries we noted there was no evidence that Journal entries are being reviewed on eight out of eight journal entries.

**Criteria:** NMAC 6.20.2.17 states that a school must establish procedures and follow them.

**Effect:** By having excessive journal entries and reversing journal entries, the organization increases its risk that the journal entries recorded cannot be traced to the general ledger to ensure their accuracy, and excessive time is spent at year end in preparing and auditing the financial statements.

**Cause:** The school is not following their policies and procedures in getting approval for journal entries and maintaining documentation for the entries.

**Auditor’s Recommendation:** Journal entries should be reviewed and approved before posting to the general ledger to ensure entries are accurate, complete, and have a clear business purpose.
Management’s Response: The school has hired a new business manager for the 10/11 fiscal year. The school will implement procedures to review and approve journal entries before posting to the general ledger to ensure entries are accurate, complete and have a clear business purpose.

DIGITAL ARTS & TECHNOLOGY ACADEMY

FS 09-66 Untimely Federal Reimbursement back to government

Condition: We noted that the school has $88,853 of unspent funds sitting in cash from FY 2006 that they have not paid back to the state. In addition we noted the following funds due to the State; 2008 Library Books for $994, and State Stimulus for $45.

Criteria: Office of Budget and Management Circular A-133; Applicable Compliance Supplements mandate proper accounting of federal funding.

Effect: PED has not received the funds owed back to them.

Cause: The School attempted to resolve this with the Federal Program Manager for the Federal Charter School grant and there was no resolution.

Auditor’s Recommendation: We recommend that the school refund the state as this money does not belong to the school.

Management’s Response: The school continues to request budget authority to use the funds on behalf of the students at the school. Funds which require refunding to the state will be refunded. Discussion with the NM PED has indicated that they will send instructions on the process. The governing council is aware of the issue.

EAST MOUNTAIN HIGH SCHOOL

No financial statement findings

EAST MOUNTAIN FOUNDATION

No financial statement findings

EL CAMINO REAL ACADEMY

FS 10-23 RHC and ERB Contributions

Condition: During field work, we noted on RHC that the payments for July 31, 2009 (1,908.23) and August 31, 2009 (3,888.61) were not submitted until December 16, 2009, September 30, 2009 ($3,977.36), October 31, 2009 ($3,932.22), November 31, 2009 ($4,163.91), and December 31, 2009 ($5,968.59) was not submitted until January 29, 2010, January 31, 2010 ($4,091.19) was not submitted until May 12, 2010, March 31, 2010 ($4,075.77) was not submitted until May 28, 2010, April 30, 2010 ($4,024.27) and
May 31, 2010 ($4,059.48) was not submitted until June 28, 2010, and June 30, 2010 ($8,317.93) was not submitted until July 29, 2010.

We noted ERB payments for September 30, 2009 ($40,186.79) was not submitted until October 16, 2009, November 30, 2009 ($60,145.15) was not submitted until December 16, 2009, January 31, 2010 ($41,447.41) was not submitted until March 12, 2010, February 28, 2010 ($39,814.08) was not submitted until April 12, 2010, March 31, 2010 ($41,110.75) was not submitted until May 28, 2010, April 30, 2010 ($40,162.54) and May 31, 2010 ($40,292.23) were not submitted until June 28, 2010 and June 30, 2010 ($85,556.68) was not submitted until July 19, 2010. We noted a penalty was paid in May for $30.41.

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month. Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Effect: The school was in violation of RHC and ERB requirements and could be subject to penalties.

Cause: Two items contributed to the delay in payment of these items: First was a medical situation with our Business Manager, who underwent major surgery in August and did not recover completely until October. Second is cash flow problems related to the timely reimbursements of federal expenditures by the State Public Education Department. Although their processes were improved over FY09, it was not usual to have over $200,000 outstanding and until late June 2010 we had over $300,000 outstanding.

Auditor's Recommendation: We recommend that school management implement an internal control system to insurance that RHC and ERB contributions are processed and paid timely.

Management’s Response: In regards to our Business Manager's medical situation, we are endeavoring to train back-up personnel so that there is no lapse in duties. Regarding the cash flow issues there has been a change in process where the District's will be reimbursing the charters. The process outlined should provide faster turn-around and negate the severe cash flow concerns experienced in the last two fiscal years. It was understood that penalties might be incurred; however Management had to insure that there was cash on hand to cover payroll and payroll taxes.

FS 10-24 – COMMUNICATION OF AUDIT REPORT

Condition: We noted during the review of the minutes that the 2009 findings were shared with the board of directors during the November 30, 2009 open meeting. The audit report was not released by the State Auditor until January 14, 2010 and was not allowed to be discussed with the board until 5 days after the release date.

Criteria: Per NMSA 12-6-5 NMSA 1978, an audit report does not become public record, subject to inspection, until five calendar days after the date it is released by the State Auditor to the agency being audited.

Effect: The school is in violation of state audit requirements.
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**FOR THE YEAR ENDED JUNE 30, 2010**

*Cause:* A board member discussed the audit during an open meeting after the exit conference was held.

*Auditor’s Recommendation:* We recommend that the school review procedures regarding the audit report and when it can be discussed in an open meeting.

*Management’s Response:* At the time the Board thought that stating that the findings were preliminary and that the audit report had not been released was within the statute. It was also felt that fiscally sound practices would support transparency and immediate notification to the Board of potential issues related to fiscal compliance. It was also our understanding that discussion of audit findings in a closed meeting was not an exception under the Open Meeting Act. After discussion with our attorney and the state auditor's office we understand that this was not in compliance with the law and that there is an indication in the NM Attorney General's booklet that audit findings can be discussed in a closed meeting. We will continue our investigation to determine a compliant method to inform the Governing Council of audit findings as soon as possible.

**GORDON BERNELL**

**FS 08-67 Budget Adjustment Requests (BAR)**

*Condition:* During our audit we noted the school failed to request a BAR for Instructional Materials, Energy Grant, Beginning Teacher Mentoring fund and Private Direct Grants.

*Criteria:* In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

*Effect:* The school is not in compliance with State Statute and faces the possibility of over-spending in the function that this particular Budget Adjustment affected since it cannot be located in the system.

*Cause:* The Business manager indicated that they had network issues most of the year in order to submit BARS into OBMS.

*Auditor’s Recommendation:* The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

*Management’s Response:* BARS were not issued in a timely manner. Internal controls were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.
FS 08-68 941’s ERB and RHC Contributions

Condition: During field work, we noted that ten RHC payments were submitted late and that the total payments did not materially agree to the General Ledger, since three of the payments were not properly calculated and remitted. Noted that 941’s did not materially agree to the General Ledger. Noted that five ERB reports were submitted late, seven reports included penalties, and the October and November 2009 reports included incorrect calculations.

Criteria: Monthly contributions and reports to the Educational Retirement Board (ERB) payments are required to be remitted no later than the 15th of the following month. Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

Effect: The school was in violation of ERB, 941 and RHC requirements and could be subject to penalties.

Cause: The school failed to make the RHC, 941 and ERB contributions timely.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that 941, ERB and RHC contributions are processed and paid timely.

Management’s Response: Internal controls were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.

FS 08-69 PED Reports

Condition: The School's cash report to the Public Education Department did not match the General Ledger. We also noted that several of the YTD expenditure amounts that were reported to PED on the budget to actual report did not match the General Ledger. In addition the reports for August 2009, September 2009, October 2009, December 2009, January 2010, February 2010, and June 2010 were submitted late.

Criteria: According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

Effect: PED does not have an accurate accounting of the school activity.

Cause: The report sent to PED was not reviewed to ensure that it reflects what is in the general ledger. The school is in violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6.

Auditor's Recommendation: The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report agrees to the general ledger.

Management’s Response: The seven months that the reports were submitted late, an extension was granted by both verbal and emailed extension(s) by PED-Danny Torres. This was to ensure that a meeting with a finance committee member reviewed the report(s). A complete revision of the general ledger by a CPA was performed.
Auditor’s Response: While extensions are given for reports, it is important to note that the reports submitted for those seven months were incorrect due to expenditures posted incorrectly into the general ledger.

FS 08-71 Internal Controls Over Non-Standard Journal Entries

Condition: We noted two JE’s that were incorrectly posted. We also noted that JE’s for Bar’s were being posted to the General ledger. In addition, the school could not provide supporting documentation for one journal entry tested.

Criteria: According to the State Board of Education Title 6, Section 6.20.2.11, Policies and Procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principles are required. Sound business practice recommends review and approval of all non-standard journal entries.

Effect: Non-standard journal entries that were posted have not been approved by another person to remove a lack of segregation of duties over the authorization and approval of journal entries. This is a material weakness in the internal control structure as there could be incorrect or inappropriate journal entries posted to the general ledger.

Cause: The School does not maintain appropriate documentation that would allow the reviewer to understand why the entry needs to be made. The school also does not have sufficient controls to ensure there is approval of all entries.

Auditor’s Recommendation: We recommend the School update their policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure journal entries are reviewed, approved and supported.

Management’s Response: The incorrect posting of the JE’s for BARS into the GL was a mistake on the current Business Manager’s part. A complete revision of the general ledger by a CPA was performed. Internal controls were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.

08-72 Internal Control Structure

Condition: During our audit we noted the following:

- Fund balance did not properly roll forward.
- Noted that revenue of $766 was posted to Instructional Materials instead of 2008 Library Funds.
- Noted that school posted expenditures of $42,585 to Federal Stimulus when fund was already fully expended instead of to Operational Fund.
- Noted that the school did not move expenditures over from Operational Fund to A Plus Energy Grant of $4,456.
- Noted that school did not move expenditures in prior year from Operational Fund to Beginning Teacher Mentoring Program of $4,012.
- Noted that revenue of $43,750 was recorded in the Operational Fund instead of PSCOC and that additional revenue of $1,887 was posted to PSCOC instead of Operational Fund.
• Noted that rent expense did not materially agree to the General Ledger.
• Noted that BAR’s were being incorrectly posted to the General Ledger.

Criteria: Per NMAC 6.2.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: This lead to unauthorized transactions and a violation of NMAC 6.20.2.11.

Cause: Items were not being reviewed before being posted to the general ledger.

Auditor’s recommendation: Account coding and period should be carefully checked against invoices and purchase order. Amounts being received should be carefully checked to determine that monies are in the correct fund. Also the school should implement proper controls to ensure that the payments are remitted by the required dead line.

Management’s Response: Internal controls were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation. A complete revision of the general ledger by a CPA was performed.

FS 09-151 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority.

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<tr>
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Instructional Materials

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<td>A Plus for Energy</td>
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2008 Library Book Fund

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Capital Improvements SB-9

| Capital Outlay       | $5,574 |

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the expenditures is the legal level of control.

Effect: The School has not complied with New Mexico law, and the control established by the use of budgets has been compromised.

Cause: The School did not make the appropriate budgetary transfers to alleviate the over-expenditures experienced by the function.
Auditor’s Recommendation: The School should establish a policy of budgetary review of year-end, and make the necessary budget adjustments.

Management’s Response: There were various network issues to include issues with APT Fund and within the school. Internal controls were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation. A complete revision of the general ledger by a CPA was performed.

FS 09-152 Stale Dated Checks

Condition: During cash test work, we noted one outstanding check in the amount of $1,244.10.
Criteria: New Mexico Statutes, Section 6-10-57, NMSA 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written.

Effect: The School is not complying with state statutes. Additionally, the School does not have an accurate understanding of their cash position.

Cause: Management has not monitored outstanding checks.

Auditor’s Recommendation: We recommend that the outstanding checks be voided as soon as possible and that a procedure be implemented to track stale dated checks.

Management’s Response: The checks for the following amounts, $8.39, $80.00, and $678.40 were voided (a spreadsheet was sent to verify the voids). Internal controls were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.

FS 09-153 State Auditor Capitalization Policy

Condition: During our fixed asset testwork, we noted that the school’s capitalization policy indicated that all items over $1,000 should be capitalized. We also noted that the school did not keep track of asset additions for the year.

Criteria: Section 2.2.2.10 of the 2008 State Audit Rule states, “The audit act (12-6-10, NMSA 1978) required agencies to capitalize only chattels and equipment that cost over $5,000.

Effect: The School’s ability to effectively manage its operations in order to meet its mission, goals, objectives, statutory mandates and state auditor compliance requirements was impaired. The risk that financial statements errors could go undetected was increased.

Cause: The school has not updated their policy to be in line with State Statutes and is not keeping track of their fixed assets.

Auditor’s Recommendation: We recommend that the school review and implement compliance requirement in section 2.2.2.10 regarding capitalization of equipment that cost over $5,000.

Management’s Response: Policies were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.
FS 09-154 Cash Management

*Condition:* During our audit, we noted a reimbursement request still had not been completed for Capital Improvements SB-9 and Idea B Entitlement.

*Criteria:* Per OMB Circular A-110, _21, Subpart C- Post-Award Requirements_, recipients should have effective control over and accountability for all funds, procedures in place to minimize the time elapsing between the transfer of funds to the recipient, and procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

*Effect:* This could result in the school not being reimbursed for their expenditures and possibly lead to less federal funding in the future.

*Cause:* School has been unable to view this fund in OBMS.

*Auditor’s Recommendation:* We recommend that the school perform reconciliations to verify balances are accurate and to ensure that reimbursement request have been submitted in a timely manner.

*Auditor’s Response:* Fund 24106 was not an accessible fund for current Business Manager and has been continually requested since year 1. An RFR will be issued for the SB-9 funding before new Business Management services begin.

FS 10-25 Bank Reconciliations

*Condition:* During our audit we noted that bank reconciliations for the year did not balance.

*Criteria:* Per NMAC 6.20.2.14, all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration.

*Effect:* The school could be misstating revenues and expenses when reporting budget amounts to PED.

*Cause:* Due to the change in business managers during the year, the school failed to reconcile bank accounts timely.

*Auditor’s Recommendation:* We recommend the school reconcile bank accounts on a timely basis and that all bank reconciliations be properly reviewed.

*Management’s Response:* All bank reconciliations were done on a monthly basis and were balanced. If there was an outstanding item(s) it was explained on the reconciliation sheet. A complete revision of the general ledger by a CPA was performed.

*Auditor’s Response:* We noted during fieldwork that bank reconciliations did not balance since July 2009. All bank reconciliations for the year had to be updated in order to balance.
FS 10-26 Payroll

Condition: During our test work of payroll MA noted that deductions were not correctly calculated on a paycheck paid to an employee.

Criteria: 6.20.2.18 PAYROLL: The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations. Schools must have internal controls in place so that employees are paid the correct amounts.

Effect: The School did not withhold and possibly state taxes and other withholding in the proper amounts. The school may be liable for the shortages related to the issues noted as well as possible penalties and interest. In addition, shortages with regards to withholdings relating to ERB and RHC contributions may result in the School being liable for penalties and interest.

Cause: The School did not properly process payroll as it related to contracts, employees withholdings; as well as ERB and RHC contributions. The School did not verify contract amounts and other personnel information between human resources and the accounting system.

Auditor’s Recommendation: The School must ensure that every signed contract amount, authorized employee deductions, and required taxes are being deducted appropriately on the employee’s paycheck.

Management’s Response: The payroll checks in question were for an employee who had worked at both campuses for the same pay period. When inputting of the second timesheet was complete, the job had to be added to the special payroll register, where benefits had to also be added. Current Business Manager intended to add all of the benefits, but apparently two were not “included”. Policies were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.

LA ACADEMIA DE ESPERANZA

FS 07-90 Internal Control Structure

Condition: During our test work we noted the following:

- The school did not have a fixed asset depreciation schedule and had to use prior year auditor workpapers.
- Functions are not kept for fixed assets causing depreciation to be unallocated between functions.
- We noted that the 2008 library funds were posted to instructional materials fund instead of the 2008 Library fund.
- We noted an irreconcilable difference between the 941 reports and the general ledger of $9,468.
- We noted an irreconcilable difference between the ERB reports and the general ledger of $14,833.

**Criteria:** Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

**Effect:** This resulted in a violation of NMAC 6.20.2.11 (b) and Regulation SBE-6. Additionally, PED does not have an accurate reporting of the school’s activity.

**Cause:** The previous business manager was not reviewing account numbers before posting to the general ledger.

**Auditor’s Recommendation:** Account coding should be carefully checked before posting transactions.

**Management’s Response:** Account coding on all transactions is reviewed by the Business Manager. The fixed asset functions are being kept for all new additions. Functions of the older assets were noted on the records but are the old UCOA codes.

**FS 07-93 PED Cash Reports/Budget Reports**

**Condition:** The School’s cash report to the Public Education Department did not agree to the General Ledger.

**Criteria:** According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

**Effect:** PED does not have an accurate accounting of the school activity.

**Cause:** The report sent to PED was not reviewed to ensure that it reflects what is in the general ledger. The school is in violation of NMAC 6.20.2.11 (B) (6) and Regulation SBE-6.

**Auditor’s Recommendation:** The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report does match the general ledger.

**Management’s Response:** the cash at year end has been reconciled to the general ledger. The discrepancies were due to summer payrolls posting with a 6/30/10 date. This will be corrected in the future.
FS 07-95 – Payroll – Lack of Documentation

**Condition:** During payroll testwork, we noted that an amount of $8,231.90 was paid to a former employee. We noted there was no addendum to the contract or was there supporting documentation for the amount paid.

**Criteria:** NMAC 6.20.2.18 requires that schools maintain and have available for inspection payroll related documents such as employment contracts, certification records, personnel/payroll action forms, I-9s, W-4s, pay deduction authorizations, pay posting change notices, Educational Retirement Act plan applications, and direct deposit authorizations.

**Effect:** The effect is that the school is out of compliance with NMAC 6.20.2.18. Not having W-4’s on file could result in incorrect withholdings. Not having insurance authorization forms on file could result in incorrect premiums being withheld.

**Cause:** The School misplaced documentation for rate.

**Auditor’s Recommendation:** We recommend that the school follow NMAC 6.20.2.18 to ensure that all required payroll related documentation is completed and properly filed.

**Management’s Response:** This payment was for a one time service for curriculum development. No contract was generated. All future payroll transactions will have a contract or agreement in place.

FS 07-97  Budgetary Conditions

**Condition:** The School has expenditure functions where actual expenditures exceeded budgetary authority:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation &amp; Maintenance</td>
<td>$4,148</td>
</tr>
<tr>
<td>Public School Capital Outlay</td>
<td>$164,147</td>
</tr>
</tbody>
</table>

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

**Effect:** The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

**Cause:** The School did not make necessary budgetary transfers to alleviate the over-expenditures experienced at each function. Expenditures were budgeted to a different function then they were actually charged to.

**Auditor’s Recommendation:** The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.
Management’s Response: Transactions have been posted to an incorrect function and should have been corrected before year end. Monthly budget reports will be reviewed in the future to avoid this problem. Transactions have been posted to an incorrect function and should have been corrected before year end. Monthly budget reports will be reviewed in the future to avoid this problem.

FS 08-85 — Internal Controls Over Non-Standard Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system. We noted that documentation associated with the journal entries could not be provided on 3 out of 4 transactions.

Criteria: State Board of Education Title 6, section 6.20.2.11 states that Policies and Procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principles are required. Sound business practice recommends review and approval of all non-standard journal entries. Additionally, all non-standard JEs should be accompanied by explanatory documentation.

Effect: Without proper review of these journal entries or supporting documentation, errors or irregularities could go undetected and cause financial statements to be misstated.

Cause: Documentation could not be located for items posted by previous business manager.

Auditor’s Recommendation: We recommend the School update their policies and procedures manual regarding the review, documentation and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed, approved and supported. Review and approval should be indicated by initials and date.

Management’s Response: We will implement procedures to assure we maintain adequate internal controls over non-standard journal entries. The principal will review all journal entries and proper documentation will accompany journal entries.

FS 08-87 RHC/941 payments

Condition: During our test work we noted the following:

- RHC report for July 31, 2009 ($3,716.20) was not submitted until August 28, 2009 and September 30, 2009 ($2,467.54) was not submitted until October 15, 2009.
- IRS Payments for the October 7, 2009 and August 5, 2009 were submitted late. The school received a late penalty for $684.25 and $568.01, respectively.

Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation of law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.
Effect: The school was in violation of RHCA and IRS requirements.

Cause: The previous business manager did not submit items timely.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that 941 and RHC payments are processed and paid in a timely manner.

Management’s Response: The school is currently maintaining a school calendar for timely payments of all 941 and RHC payments.

FS 09-90 Chart of Accounts

Condition: During our audit we noted that the school is using several accounts noted below that do not exist on the PED Chart of Accounts.

11000-0000-41900-0000-001061-0000-00000 Other Revenue From Local Sources
11000-1000-51000-0000-001061-1711-00000 Instruction-Personnel Services - Compensation-Instructional Assistants-Grades 1-12
11000-1000-51000-1010-001061-1412-00000 Instruction-Personnel Services - Compensation-Teachers- Special Education
11000-1000-52511-0000-001061-0000-00000 Instruction-Unemployment Insurance Premium
11000-1000-52511-0000-001061-1218-00000 Instruction-Unemployment Insurance Premium-School/Student Support
11000-1000-52511-1010-001061-1411-00000 Instruction-Unemployment Insurance Premium-Teachers-Grades 1-12
11000-1000-52511-1010-001061-1412-00000 Instruction-Unemployment Insurance Premium-Teachers-Special Education
11000-1000-52511-1010-001061-1711-00000 Instruction-Unemployment Insurance Premium-Instructional Assistants-Grades 1-12
11000-1000-52511-2000-001061-1412-00000 Instruction-Unemployment Insurance Premium-Teachers- Special Education
11000-1000-52900-0000-001061-0000-00000 Instruction-Other Employee Benefits
11000-1000-55814-0000-001061-0000-00000 Direct Instruction - Employee Training - Non-Teacher
11000-1000-56000-0000-001061-0000-00000 Instruction-Supplies
11000-2100-52511-0000-001061-0000-00000 Support Services-Students-Unemployment Insurance Premium
11000-2100-52511-0000-001061-1214-00000 Support Services-Students-Unemployment Insurance Premium-Guidance Counselors/Social Worker
11000-2100-52511-0000-001061-1218-00000 Support Services-Students-Unemployment Insurance Premium-School/Student Support
11000-2100-52511-0000-001061-1312-00000 Support Services-Students-Unemployment Insurance Premium-Speech Therapists
11000-2100-53400-0000-000000-00000 Support Services-Students-Other Professional Services
### Support Services - Students-Student Transportation Services

11000-2100-55100-0000-001061-0000-0000

### Employee Training - Non-Teachers Support Services - Instruction-

11000-2200-52511-0000-001061-1213-0000

### Unemployment Insurance Premium - Library/Media Assistants

11000-2400-52511-0000-001061-1112-0000

### Support Services - School Administration - Unemployment Insurance Premium

11000-2500-52511-0000-001061-1114-0000

### Central Services - Unemployment Insurance Premium - Administrative Assistants

11000-2500-52511-0000-001061-1115-0000

### Central Services - Unemployment Insurance Premium - Assoc.-Supt.-Fin./Bus. Mgr.

11000-2500-52511-0000-001061-1217-0000

### Central Services - Unemployment Insurance Premium - Secretarial/Clerical/Technical Assistants

11000-2500-54000-0000-001061-0000-0000

### Central Services - Purchased Property Services

11000-2600-52511-0000-001061-1219-0000

### Operation & Maintenance of Plant - Unemployment Insurance Premium - Duty Personnel

11000-2600-52511-0000-001061-1614-0000

### Operation & Maintenance of Plant - Insurance Premium - Maintenance

11000-2600-53400-0000-001061-0000-0000

### Operation & Maintenance of Plant - Other Professional Services

11000-2600-54400-0000-001061-0000-0000

### Operation & Maintenance of Plant - Plant-Utility Services

11000-2630-17021-0000-001061-0000-0000

### Care and Upkeep of Grounds - Site Improvements

11000-2630-17021-0000-001061-0000-0000

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**Criteria:** Per NMAC 6.20.2.13 (C) every school must prepare, maintain and report budget and financial information using a standard chart of accounts.

**Effect:** This is a violation of NMAC 6.20.2.13 (C).

**Cause:** A typo occurred when entering the accounts into APTA.

**Auditor’s Recommendation:** The chart of accounts should be updated and maintained to agree with the PED’s chart of accounts.

**Management Response:** A current UCOA is being used and APTA will be updated to match the PED’s chart of accounts.

### FS 09-92 Lack of Signatory Authority on Payroll Registers

**Condition:** During our review of payroll, we noted that the payroll register for the extra payroll run was not approved.
Criteria: Sound accounting practices and 2.20.2.11 NMAC requires each school to develop, establish and maintain a structure of internal accounting controls and written procedures. This includes the review process relating to documentation.

Effect: Because there is no review process, the risk of any fraudulent activity is high.

Cause: The additional payroll runs were not approved.

Auditor’s Recommendation: We recommend that policies and procedures be established that designated the individual, other than the one preparing payroll, to perform a final review of payroll to ensure that payroll is accurate and will also mitigate any risk of fraudulent activity within payroll.

Management’s Response: The principal will review all payroll registers on a timely basis.

FS 09-93  Cash Management

Condition: During our audit, we noted federal reimbursement requests were not being completed in a timely manner. We noted $236,698 of federal receivables from the prior year that have not been properly requested or received. We also noted a state reimbursement request for fund 27103 was not completed in accordance with the grant award. Per the grant award the reimbursement request was to be submitted by April 1, 2010 and we noted that the reimbursement request was submitted on 06/29/2010.

Criteria: Office of Budget and Management Circular A-133; Applicable Compliance Supplements mandate proper accounting of federal funding.

Per NMAC 6.20.2.23 ‘For grant money that is sent direct, school districts shall utilize the funding for the purpose in which it was awarded. School districts shall submit complete and accurate reports required by the grant within the prescribed time.’

Effect: This could result in the school not being reimbursed for their expenditures and possibly lead to less federal funding in the future.

Cause: School failed to timely request reimbursements for grants.

Auditor’s Recommendation: We recommend that the school perform reconciliations to verify balances are accurate and to ensure that reimbursement request have been submitted in a timely manner.

Management’s Response: All grant awards will be tracked and reimbursement will be filed in a timely manner.

FS 09-94  Budget Adjustment Requests (BAR)

Condition: During our audit we noted the school completed a BAR for fund 27140 Family & Youth Services for an increase in $9,210 instead of a decrease in funds of $790.
**Criteria:** In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

**Effect:** The control established by the use of budgets has been compromised.

**Cause:** The BAR was increased instead of decreased.

**Auditor’s Recommendation:** The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

**Management’s Response:** La Academia de Esperanza received two different awards for $10,000 each. We then received a decrease in the award for $790. One BAR was performed for the total of the award for $19,210.

**Auditor’s Response:** Documentation was not provided for the additional $10,000 award. We also noted that the total of $19,210 was not completed on one BAR. The school did an original BAR for the first $10,000 received. A second BAR for an increase of $9,210 was completed and automatically approved by the PED.

**FS 09-97 Cash Carryover**

**Condition:** During our test work, we noted that the school had excess cash carryover than allowed.

**Criteria:** Per NMSA 1978 Section 22-8-41, the allowable limit for a charter school’s ending operational cash balance is eighteen percent of the budgeted expenditures. The secretary shall reduce the state equalization guarantee distribution, calculated pursuant to Section 22-8-25 NMSA 1978, to the charter school by an amount equal to the school district's or charter school's excess cash balance.

**Effect:** The school could receive less SEG funds in FY 2011.

**Cause:** The school did not spend all of the funds received in the current year or the excess funds from prior year.

**Auditor’s Recommendation:** We recommend that school management implement a system to ensure that the cash carryover does not exceed the amount allowed as this could affect future funding.

**Management’s Response:** We do not agree with this finding. La Academia de Esperanza checked out figures and checked with our budget analyst and was informed we do not have a cash carryover. The figures were reviewed by our budget analyst and his supervisor. Per our cash balance worksheet our adjusted cash balance was under the allowable 18% required.
Auditor’s Response: We reviewed the cash balance worksheet and noted that the calculation was determined using the final cash balance on the 4th quarter cash report. We have noted that the final cash report number did not agree to the general ledger at year-end. The cash report balance also includes accrual entries that are not considered cash basis. Based on our cash basis calculation, the school should have $1,110,115 in cash (Exhibit C-1 of financial statements) as compared to $774,717 as reported on the 4th quarter cash report. This cash balance would exceed the amount of cash carryover that the school is allowed to have.

LA PROMESA EARLY LEARNING CENTER

FS 10-27 Disbursements-Lack of Authorization

Condition: We noted during test work that 1 electronic check tested in the amount of $1,500 check did not have the required two signatures.

Criteria: NMAC 6.20.2.17 states that a school must establish procedures for purchasing and follow them.

Effect: This could result in inadequate authorization of expenditures.

Cause: Documentation regarding the required signatures was misplaced.

Auditor’s Recommendation: We recommend that school follow policies and procedures and implement procedure to ensure that all checks have two signatures before they are sent out or if they are electronic checks that they are properly approved before completed.

Management’s Response: This check did have the two required signatures but when presented for payment at Wal-Mart it was processed electronically. Normally all checks processed as electronic payments are filed with voucher copy of paperwork but this was not done in this case. All future electronic payment will be properly filed for documentation and audit purposes.

LA RESOLANA LEADERSHIP ACADEMY

FS 08-89 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority.

| Food Services | $1,173 |

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures is the legal level of control.

Effect: The school has over-expended their allowed budget amount.

Cause: The school did not perform the necessary BARS for these funds.
Auditor’s Recommendation: The school should establish a policy of budgetary review at year-end and make the necessary adjustments.

Management’s Response: A budgetary review was made at the last meeting of the school year estimating the final expenditure. However, the estimate was low and there were no additional meetings scheduled. Additional meetings will be scheduled later in the fiscal year to correct estimates of this nature.

**FS 08-93 Inadequate Segregation of Duties in Receipting Process**

Condition: The bookkeeper’s duties at the school include receiving the mail or receiving the cash, preparing the deposits, and taking deposits to bank. We also noted that school is not following procedures regarding counting cash. We noted there was no evidence that two individuals counted cash.

Criteria: Sound business practice required adequate segregation of duties during the receipting process.

Effect: Without segregation of duties, the School has not mitigated the risk of errors or irregularities over the cash receipts process. The School is not in compliant with State Statute.

Cause: The lack of segregation of duties is the result of qualified employees which has left the business manager handling most of the receipting process.

Auditor’s Recommendation: Certain responsibilities during the receipting process should be delegated to qualified employees or hire a qualified individual to perform the required tasks.

Management’s Response: The school implemented procedures over cash receipting. However, the process was not completely implemented as required causing the reoccurrence of the finding. Compliance with the process will be emphasized.

**FS 08-95 PED Reports**

Condition: The School’s final budget to actual report for expenditures did not agree to the general ledger for the operational funds and for the federal funds. We also noted that the cash report expenditures did not agree for these same funds.

Criteria: According to State Regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

According to State regulation 6.20.2.9 on or before July 31, school districts shall determine their actual cash balances in all funds and report them on the most current form prescribed by the department.

Effect: PED does not have an accurate accounting of the school activity.

Cause: The school failed to reconcile expenditures to the general ledger.
Auditor’s Recommendation: The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report does match the general ledger and are submitted to PED on time.

Management’s Response: The school tied the PED report to the general ledger but used the general ledger with the summer payrolls included to present a more complete picture of the actual financial status of the school. The difference in presentation is the summer payrolls. Procedures are being reviewed to ensure the reports are correct.

Auditor’s Response: It appears that journal entries and other closing transactions were completed after the cash report was submitted to the PED. We recommend that the school implement procedures to ensure an earlier closing date so that the cash report agrees back to the general ledger.

FS 09-110 Internal Control Structure

Condition: During our test work we noted a cash receipt was posted to the incorrect fund.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: The school has reported the receipt to PED in the incorrect fund.

Cause: The revenue line item was incorrectly provided to the school by the PED.

Auditor’s Recommendation: We recommend that the school ensure that all cash receipts posted properly agree to grant awards and grant allocations.

Management’s Response: The cash receipt was posted to the fund because the revenue line item was budgeted in that fund and approved by the PED. The cash receipt followed the budget. The review process is in place to determine correct fund numbers will be reemphasized.

FS 09-112 Difference with General Ledger

Condition: 941 reports did not reconcile to the general ledger for the year ended June 30, 2010. 941 reports had a difference of $2,235. We also could not verify whether the 1st quarter (September 2009) and the 4th quarter (June 2010) were properly submitted on time.

We also noted that there was an irreconcilable difference from the general ledger for ERB reports Difference of $2,915.

Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation if law or good accounting
practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

**Effect:** This could result in penalties and/or interest being assessed to the school.

**Cause:** 941 reports were not properly reviewed for accuracy and supporting documents were not maintained.

**Auditor’s Recommendation:** The School must reconcile the general ledger to the 941 and ERB payments to ensure the correct amounts are being submitted. The school should also ensure that all 941 reports are submitted on time.

**Management’s Response:** An independent payroll processing company processed the payroll for the first quarter. The company has not been willing to provide the information requested and the contract has been terminated. The reports were submitted timely. The payroll process has been taken over by the contract business manager and is now correct and up to date.

**FS 09-113 Internal Controls Over Non-Standard Journal Entries**

**Condition:** The Charter School does not have adequate internal controls over non-standard journal entries entered into the accounting system. Documentation could not be provided for journal entries tested for 1 out of 8 journal entries tested. While the school has contracted an outside business manager, we could not verify whether someone from the school is reviewing and approving journal entries made on 3 out of 8 journal entries tested and on 1 out of 8 journal entries testing back-up was not sufficient to determine whether JE appeared reasonable.

**Criteria:** According to the State Board of Education Title 6, Section 6.20.2.11, Policies and Procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principles are required. Sound business practice recommends review and approval of all non-standard journal entries.

**Effect:** Non-standard journal entries that were posted have not been approved by another person to remove a lack of segregation of duties over the authorization and approval of journal entries. This is a material weakness in the internal control structure as there could be incorrect or inappropriate journal entries posted to the general ledger.

**Cause:** The school did not have adequate controls in place over journal entries.

**Auditor’s Recommendation:** We recommend the School update their policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure journal entries are reviewed, approved and supported.

**Management’s Response:** All journal entries are reviewed and approved. Processes have been implemented to document all journal entries.

**Auditor’s Response:** We noted that documentation could not be provided to show that processes regarding journal entries have been implemented.
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

FS 09-114 Budget Adjustment Requests (BAR)

Condition: During our audit we noted and amount of $125 was incorrectly included in fund 14000 in the original budget. Per the grant award the BAR was to be posted in fund 27549. A BAR should have been completed during the year to correct the fund number for the revenue received by the school.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The control established by the use of budgets has been compromised.

Cause: Grant award was not properly reviewed to ensure it was for the correct fund.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: The budget was included with the final budget given to the school by the NMPED. The review process is in place to determine correct fund numbers will be reemphasized.

FS 10-28 ERB Contributions

Condition: During field work, we noted ERB report for January 31, 2010 was not submitted until February 16, 2010. We also noted that the January 31, 2010 report did not calculate correctly. We noted a difference of $264.94.

Criteria: Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Effect: The school was in violation of ERB requirements and could be subject to penalties.

Cause: The school did not properly review and submit ERB reports.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insurance that ERB contributions are processed and paid timely.

Management’s Response: The school processes includes all calendars for all due dates. The timeliness of reports will be reemphasized.

FS 10-29 Gross Pay Does not Agree To Contract Amount

Condition: During our test work, we noted that we could not agree the pay rate to the stated contract amount for one employee. We noted Gross Amount paid was $1,704.40 and the total recalculated amount per the contracts was $1,684.62 for a difference of $19.78.
Criteria: NMAC 6.20.2.18 states that schools must have internal controls in place so employees are paid the correct amounts and that all related deductions are properly accounted for.

Effect: The school could be paying employees incorrectly.

Cause: School could not locate most current copy of contract.

Auditor’s Recommendation: The school must ensure to set up paycheck amount in the software according to the employee’s agreed upon contract amount and ensure the related payroll deductions are being calculated correctly and properly accounted for.

Management’s Response: Payroll was based on the amount provided by the school as authorized by the principal. The school could not locate the most current contract. Procedures will be implemented to maintain documentation on employee contract.

LOS PUENTES CHARTER SCHOOL

No financial statement findings

MONTESORRI ELEMENTARY CHARTER SCHOOL

FS 09-122 RHC and ERB Contributions

Condition: During field work, we noted on RHC that the payment for August 31, 2009 ($31,395) was not submitted until August 31, 2009 and October 31, 2009 ($2,411.25) was not submitted until November 15, 2009. We noted ERB payment for September 30, 2009 ($16,357.74) was not submitted until October 19, 2009.

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month. Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Effect: The school was in violation of RHC and ERB requirements and could be subject to penalties.

Cause: Payments were late do to reconciliation issue concerning the classification of RU and RTW Employees.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insurance that RHC and ERB contributions are processed and paid timely.

Management’s Response: Management is aware of the process and has implemented a new procedure to insure timely payments.

10-30 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority.
Public School Capital Outlay

Capital Outlay $218,500

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures is the legal level of control.

Effect: The school is not in compliance with laws.

Cause: The School did not make necessary budgetary transfers to alleviate the over-expenditures experienced at each function.

Auditor’s Recommendation: The school should establish a policy of budgetary review at year-end and make the necessary adjustments.

Management’s Response: Management has a policy for budgetary review and missed submitting a BAR for fund 31200. We have reviewed our policy and in the future will make sure that all BARS are submitted.

FS 10-31 Budget Adjustment Requests (BAR)

Condition: During our audit we the following:

- A BAR was not completed for the Public School Capital Outlay fund.
- A BAR was not completed for the increase in Teacher/Principal Training funds.
- A BAR was not completed for the Beginning Teacher Mentoring funds.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The final budget is not correctly reported to the PED.

Cause: The business manager missed the deadline to submit bars.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: Management has reviewed our policy and in the future will make sure that all BARS are submitted for all funds.
FS 10-32 Internal Control Structure

Condition: During our test work we noted that a refund from the IRS in the amount of $2,027.11 was incorrectly posted to the student activity fund.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: This resulted in a violation of NMAC 6.20.2.11 (b) and Regulation SBE-6. Additionally, PED does not have an accurate reporting of the school’s activity.

Cause: Due to the large number of cash receipts received by the school, the receipt was incorrectly included in the student activity fund.

Auditor’s Recommendation: We recommend the school review cash receipts to ensure that they are being posted to the correct funds.

Management’s Response: Management has a procedure in process for all cash receipts and will make sure that all cash receipts are posted correctly.

MONTESSORI OF THE RIO GRANDE

FS 10-33 Related Party Transaction

Condition: During the audit, we noted one (1) related party transaction, in the amount of $1,920, out of five (5) totaling $75,848, in which the related party transaction was not formally approved by the Governing Council. For the transaction which was not formally approved, the President of the Governing Council is a partner in the company which benefited from the transaction.

Criteria: Per school policies, any transaction where a Council Member has a direct or indirect personal interest should be approved by a majority of the Council Members present at such meeting who have no direct or indirect personal financial interest in the transaction, provided a quorum of the full Governing Council is present at such meeting. According to the State Board of Education Title 6, section 6.20.2.11, every school district or charter shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect: The President of the Governing Council’s company benefited from an unapproved related party transaction.

Cause: The charter school failed to adhere to its policies and procedures for related party transactions.
**Auditor’s Recommendation:** We recommend that the charter school review and follow its policies and procedures and update them if necessary.

**Management’s Response:** Montessori of the Rio Grande (MRG) recognizes the importance of maintaining adequate internal controls. MRG will ensure in the future that any proposed related party transactions are presented to the Governing Council and are formally approved prior to taking place. Furthermore, MRG has subsequently adopted a new conflict of interest disclosure statement procedure which requires every Council Member to sign one. We would emphasize that the issue with respect to this finding is the proper authorization of the transaction. The transaction was properly recorded to allow for the preparation of financial statements in accordance with GAAP.

With respect to the transaction itself we would like to illuminate several items. The services provided were the facilitation of strategic planning for MRG and its primary stakeholders; teachers, parents and the council members. While the Council President’s company facilitated the meeting, he himself did not facilitate it and the company charged below market rates, providing MRG a twenty (20) percent discount for its services. Lastly, this transaction took place under the previous Business Manager’s administration, and the new Business & Finance Director is aware of the policies and procedures for related party transactions.

**MOUNTAIN MAHOGANY**

**FS 09-133 Internal Control Structure**

**Condition:** During our fieldwork we noted the following:

- We noted that the EMSI revenues/expenditures were posted to fund 29102 instead of 26177.
- We noted fund balance did not reconcile for the operating fund.

**Criteria:** Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

**Effect:** The financial statements could be misleading.

**Cause:** The school was advised by their budget analyst at PED to post the revenue for EMSI to the Private Dir Fund. Fund balance did not roll forward due to other entries posted that were not modified cash basis.

**Auditor’s Recommendation:** We recommend that school review PED crosswalk/supplement to ensure that grant awards are posted to the correct funds. We recommend school only post modified cash basis entries to general ledger.
Management’s Response: In the future the school will consult the crosswalk/supplement for correct account codes. The fund balance for EMSI did reconcile but was included in the same fund as private donations.

FS 09-136 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority. The Bar completed for the EMSI grant was to the incorrect fund number.

EMSI
Direct Instruction $ 6,536
Support Services $ 929

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures is the legal level of control.

Effect: The school is not in compliance with laws.

Cause: The budget analyst at PED provided the wrong information to the school.

Auditor’s Recommendation: The school should be aware of all funds related to grant awards.

Management’s Response: The school’s governing council and the PED did approve BARs for the EMSI Grant before it was expended however those BARs were approved under the wrong account number. In the future the school will consult the crosswalk/supplement for correct account codes.

NATIVE AMERICAN COMMUNITY ACADEMY

07-134 ERB/CRS Contributions

Condition: We noted the ERB payments for February 2010 ($134,070.98) was paid March 16, 2010. MA also noted the CRS report for October was not submitted until November 30, 2009. This resulted in a penalty of $92 for the October payment being late.

Criteria: Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month. Per NMAC 2.82.9.8 C states “Monthly contributions from employees and local administrative units shall be postmarked no later than the fifteenth (15th) day of the month following the month for which contributions are withheld.

Effect: The school was in violation of ERB requirements and could be subject to penalties. The school was in violation of CRS requirements and was subject to penalties.

Cause: The school failed to make the ERB and CRS contributions timely.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that ERB and CRS contributions are processed and paid timely.

Management’s Response: NACA agrees with the need to submit ERB, CRS, and other regulatory
items timely. The ERB was called in on the due date, however, the actual upload did not include all employees, therefore, the problem was corrected and submitted the following day.

The CRS was due when the Business Manager was out of the office, and was submitted upon return. Currently, however, NACA has an alternate person who is able to submit any regulatory reporting or it will be processed before the Business Manager is out.

NACA also prepares and presents a Regulatory Compliance report at each Governing Council meeting.

07-140 Stale Dated Checks

*Condition:* During cash test work, we found one check that was written over a year ago for a total of $223.00 listed as an outstanding check on the bank reconciliation.

*Criteria:* New Mexico Statutes, Section 6-10-57, NMSA 1978 compilation requires local public bodies to cancel or void any check that is unpaid for, one year after it is written.

*Effect:* The School is not complying with state statutes. Additionally, the School does not have an accurate understanding of their cash position.

*Cause:* School does not know how to void checks in system.

*Auditor’s Recommendation:* We recommend that the outstanding checks be voided as soon as possible and that a procedure be implemented to track stale dated checks.

*Management’s Response:* NACA monitors outstanding checks and voids or reissues these after a year. However, this check is through an inactive grant fund and the check was reissued previously. NACA will work with NMPED and our auditors in the proper resolution of this outstanding item.

07-141 Budgetary Conditions

*Condition:* The School has expenditure functions where actual expenditures exceeded budgetary authority.

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<thead>
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<th>Amount</th>
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<td>General Administration</td>
<td>$ 11,541</td>
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<td>School Administration</td>
<td>$ 68,722</td>
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<tr>
<td>Teacher/Principal Training</td>
<td></td>
</tr>
<tr>
<td>School Administration</td>
<td>$ 28</td>
</tr>
<tr>
<td>Indian Ed- Title VII</td>
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</tbody>
</table>

II-69
Support Services-Students $ 6,335
State Equalization Guarantee Instruction $ 4,723
General Administration $ 10
Kellogg Fund/Kellogg Foundation School Administration $ 2,526
PNM Foundation Inc Support Services-Students $ 4,497
New Mexico Community Foundation Support Services-Students $ 58,054
Beginning Teacher Mentoring Program School Administration $ 110

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the expenditures is the legal level of control.

Effect: The School has not complied with New Mexico law, and the control established by the use of budgets has been compromised.

Cause: The School did not make the appropriate budgetary transfers to alleviate the over-expenditures experienced by the function.

Auditor’s Recommendation: The School should established a policy of budgetary review of year-end, and make the necessary budget adjustments.

Management’s Response: NACA does review actual compared to budget, sets a cutoff date for purchase orders, and prepares year end reconciliations. However, NACA will need to establish an earlier cut-off date for purchase orders and year end reconciliations to allow all transactions to be completed prior to the Final BAR due date.

FS 07-142 RHC Reports and Contributions

Condition: During our test work it was noted that RHC payments since the inception of the school had not been made with RHCA.

Criteria: RHC payments and reported are required to be submitted no later than the 10th of the following month

Effect: The school was in violation of state requirements and could be subject to penalties.

Cause: School does not have an RHC account with RHCA.

Auditor’s Recommendation: We recommend that the school contact RHCA immediately to get the account set up and the payments made.

Management’s Response: NACA has been working with New Mexico Retiree Healthcare Authority and has submitted all necessary reports. NACA is currently submitting reports and
submitting funds monthly by the 10th of the month. NACA is working with NMRHCA to reconcile the outstanding balance and will resolve this issue as soon as the reconciliation process is complete.

**FS 08-97 Inadequate Segregation of Duties in the Receipting Process**

*Condition:* During our review of the cash receipts process, we noted that the same person preparing the deposit slip also takes the deposit to the bank and posts into the accounting system during the summer months. While the person receiving the mail records does not keep a log of amounts received that get received.

*Criteria:* Sound business practice required adequate segregation of duties during the receipting process.

*Effect:* Without segregation of duties, the School has not mitigated the risk of errors or irregularities over the cash receipts process.

*Cause:* The school had a previous business manager that was not taking care of this function.

*Auditor’s Recommendation:* We recommend the school implement procedures to ensure that the same person is receiving, depositing and posting items into the general ledger.

*Management’s Response:* NACA agrees with the need for segregation of duties, however, with limited staff during the summer months, it becomes difficult with limited availability. However, NACA will arrange for another staff member to take the deposits to the bank.

**08-103 Difference with General Ledger**

*Condition:* ERB reports did not reconcile to the general ledger for the year ended June 30, 2010. ERB reports had an irreconcilable difference of $4,191. 941 Reports did not reconcile to the general ledger for the year ended June 30, 2010. 941 Reports had an irreconcilable difference of $4,425. RHC reports did not reconcile to the general ledger for the year ended June 30, 2010. RHC reports had an irreconcilable difference of $11,393.

*Criteria:* Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation if law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

*Effect:* This could result in penalties and/or interest being assessed to the school.

*Cause:* The school is not periodically reconciling to the general ledger to what is being reported on the ERB, RHC and 941 reports.

*Auditor’s Recommendation:* The School must reconcile the general ledger to the ERB, RHC and 941 contributions to ensure the correct contributions are being submitted.
Management’s Response: NACA has implemented a process of reconciling the general ledger to the reports. NACA also utilizes the accounting software to process all regulatory reporting, so will work with the software vendor to ensure proper setup.

08-106 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the school failed to request a BAR for the Food Services fund.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures related to Budget Adjustment Requests.

Effect: As a result, the School was out of compliance with 6-6-6 NMSA 1978.

Cause: School was not aware these funds had their own fund number.

Auditor’s Recommendation: We recommend that all Budget Adjustment Requests be properly filled out and submitted for PED approval before any action is taken at the school.

Management’s Response: A BAR was prepared however Business Manager wasn’t aware of a separate fund for Food Services. In the future, the Food Services fund will be utilized instead of Operations.

FS 09-138 Purchase Orders

Condition: During our testwork we noted one transaction in the amount of $8,250 where the Purchase Order was created after the invoice date.

Criteria: School is not in compliance with Policies and Procedures as stated in NMAC 6.20.2.10, NMAC 6.20.2.11 and NMAC 6.20.2.17.

Effect: The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC 6.20.2.17. The proper maintenance of supporting documentation relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

Cause: Telecommuting staff member failed to submit a purchase requisition timely.

Auditor’s Recommendation: We recommend that the Charter School develop, implement and enforce Purchasing procedures in accordance with the Procurement Code 13-1-21 and NMAC 6.20.2.

Management’s Response: NACA has discussed this incident with staff and has a process in place that requires a purchase order before any goods or services are procured.
FS 09-140 Procurement Code

**Condition:** During the year ended June 30, 2010 we noted one instance where services exceeded $50,000 that did not go out for bid. Total amount paid to vendor was $53,685.

**Criteria:** As indicated in NMAC 1.4.1.14 through 1.4.1.28, an internal control structure over purchasing shall be established and maintained to assure compliance with school district policy and state and federal regulations in assurance that all the bids are supported by the proper documentation.

**Effect:** The school is not in compliance with NMAC 1.14.1.14 through 1.4.1.28.

**Cause:** A Student Support Services grant was received and this grant required additional services be provided by the Student Support Services Director.

**Auditor’s Recommendation:** We recommend that the school designate a procurement agent who would be accountable for maintaining records and ensuring State and Federal procurement policies are being implemented and followed.

**Management’s Response:** The original grant arrangements provided for payment from UNM versus NACA. However, due to timing constraints, it was determined that NACA would be more able to make the payments to the providers before the close of the grant, therefore, causing this contractor to be over $50,000.

FS 09-144 Late Payments

**Condition:** During our audit we noted that the rent payable on the prior year financial statements still has not been paid to APS even though the school has received the reimbursement request from the state for the funds. We noted that there was still $39,820 outstanding from FY 2008. School also owes APS $92,035, pending reimbursement for capital outlay funds. The school has received $300 in funds for FY 2010 but has not yet paid APS. The total amount currently due to APS is approximately $132,000.

**Criteria:** State Regulation 6.20.2.17, NMAC and properly implemented internal control systems require that cash disbursements be processed timely. This is required so that a governmental entity may avoid unnecessary late fees or penalties associated with the payment of current liabilities.

**Effect:** The school may lose the privilege of conducting business with some vendors due to untimely processing of payments.

**Cause:** Due to the change in business managers, the school has not completely reconciled what has/has not been paid.

**Auditor’s Recommendation:** We recommend that the school implement a system which would allow accounts payable to be processed in a timely manner.
Management’s Response: NACA has a system in place for the processing of Accounts Payable timely, however, due to the turnaround time involved in the reimbursement process this limited our ability to process the PSCOC payments.

**FS 10-34  Gift Cards**

*Condition:* During our test work we noted gift cards were purchased for Lakota fieldtrip for a total of $5,035. The check was made out to cash. The cards had balances at year-end of $620. We noted that the entire amount of the cards was expensed to travel and per diem.

*Criteria:* Per NMAC 6.20.2.14 school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements.

*Effect:* Expenses are overstated for the year.

*Cause:* Gift cards were used for travel instead of cash.

*Auditor’s Recommendation:* We recommend that the school keep proper track of all expenditures and properly reconcile all funds not in the bank account.

*Management’s Response:* NACA agrees with the need to properly track all expenditures. These gift cards were purchased in lieu of providing cash to employees who were travelling for Professional Development; which we felt limited our risk and liability significantly. We also have detailed receipts for all purchases made on these cards.

**FS 10-35  PED Budget Reports**

*Condition:* We noted the budget to actual report for the third quarter was not submitted until May 7, 2010. We also noted the fourth quarter was not submitted until September 20, 2010.

*Criteria:* According to State regulation 6.20.2.10 reports are due at the department by the last working day of the month following the end of the required reporting period, unless extended to a later date by the secretary of education.

*Effect:* The school is in violation of NMAC 6.20.2.10.

*Cause:* System problems did not allow for the timely submission.

*Auditor’s Recommendation:* We recommend that the school be aware of the deadlines to submit budget reports and implement procedures to ensure they are done timely.

*Management’s Response:* NACA is aware of all regulatory deadlines and works to adhere to all of these. However, due to problems with the Accounting software, these reports could not be uploaded on or before the due date. NACA will work to allow additional time for system issues and meet the filing deadline.
10-36 Internal Control Structure

**Condition:** During our test work we noted the following:

- A payment to the Department of Labor in the amount of $8,222 was posted in the wrong period causing the cash balance to have a difference from the reconciled balance.
- An expense in the amount of $1,082 for postage was recorded in the wrong account. It was recorded in account 55915 other contract services. Some of this expense, $423, was then re-classed, however the amount was re-classed out of an account that it was not posted to. The expense was originally posted to account 11000-2500-55915 and was re-classed out of account 11000-2100-56118.

**Criteria:** Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

**Effect:** This resulted in a violation of NMAC 6.20.2.11 and could result in misstatements.

**Cause:** Liabilities are being posted to the incorrect period. Expense accounts are not being properly reviewed.

**Auditor’s Recommendation:** Account coding should be carefully checked to ensure items are being posted to the correct accounts and periods.

**Management’s Response:** The payroll liability was rolled into fiscal year 10-11, however, the payment incorrectly posted in June 2010. NACA is working to correct this item with the software vendor.

The account coding was an error and due to the number of transactions processed was missed during account reconciliations and reviews.

**NUESTROS VALORES**

**FS 10-37 PED Cash Reports/Budget Reports**

**Condition:** We noted the cash report and the budget to actual report for the first quarter was not submitted until November 4, 2009. We also noted the second quarter was not submitted until February 16, 2010. We also noted that the 4th quarter cash report did not properly agree to the general ledger.

**Criteria:** According to State regulation 6.20.2.10 reports are due at the department by the last working day of the month following the end of the required reporting period, unless extended to a later date by the secretary of education.

**Effect:** The school is in violation of NMAC 6.20.2.10.
Caused: This was due to problems with file uploads through the work computer system. Reports had to be uploaded and verified off campus. In addition, there was a delay because of an IRS payroll review being conducted during that time period.

Auditor’s Recommendation: We recommend that the school be aware of the deadlines to submit budget reports and implement procedures to ensure they are done timely.

Management’s Response: This problem was corrected during the middle of the last school year, and the reports have been submitted on time since the problem was fixed. Also, the IRS review has been completed to free up additional time for timely preparation of accurate reports.

10-38 Late Fees

Condition: During our testwork of rent expense, we noted that the school paid $183.81 in late fees for rental payments.

Criteria: All funds allocated to the school are to be spent on allowable expenditures in accordance with NMAC 6.20.2. Sounds Business practices require that payments to vendors be made timely.

Effect: This resulted in unnecessary costs paid by the school.

Cause: One of our vendors has a net 14 day payment requirement. During school closures the bill is not received by the school in time to remit a timely payment.

Auditor’s Recommendation: We recommend the school implement policies and procedures to insure that the school does not abuse public funds and insures that all amounts paid are correct and on-time.

Management’s Response: The school has contacted the vendor and requested a longer payment term in order to eliminate this problem during the times when the school is closed. All other payables are reviewed weekly to ensure timely payments.

PUBLIC ACADEMY FOR PERFORMING ARTS

FS 06-162 – Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority:

<table>
<thead>
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<th>Amount</th>
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<tbody>
<tr>
<td>IDEA B Federal Stimulus Direct Instruction</td>
<td>$27,382</td>
</tr>
<tr>
<td>PNM Foundation Support Services</td>
<td>$470</td>
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Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.
Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: The School did not make necessary budgetary transfers to alleviate the over-expenditures experienced at each function.

Auditor Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management Response: For IDEA B FS, the auditors notified us in June that APS required us to expend these funds by June of 2010 instead of June of 2011 as initially awarded to our school. By the time we were notified of this, it was too late to submit a BAR to move expenditures from function 2000 to function 1000. The auditors and GC were aware of this finding.

PNM needed to be expended out of a different function in June – again, it was too late to submit a BAR to PED for this change.

FS 08-128 Budget Adjustment Requests (BAR)

Condition: During our audit we noted that a Bar was completed for the final increase however the BAR was completed for $3,184 instead of $3,728.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The final budget reported to the PED is not correct.

Cause: Only a BAR for the final allocation was submitted.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: Only $3622.72 was spent from the budget. However, we will make sure the complete awarded amount has a BAR entered into OBMS by June 30th.

FS 09-160 Purchase Orders

Condition: During our testwork we noted that the principal approved a purchase order for a payment to herself.

Criteria: School is not in compliance with Policies and Procedures as stated in NMAC 6.20.2.10, NMAC 6.20.2.11 and NMAC 6.20.2.17.
Effect: The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC 6.20.2.17. The proper maintenance of supporting documentation relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

Cause: School is not approving purchases/services before they are being received.

Auditor’s Recommendation: We recommend that the Charter School develop, implement and enforce Purchasing procedures in accordance with the Procurement Code 13-1-21 and NMAC 6.20.2.

Management’s Response: POs for the principal will given to the GC president for approval. However, in most cases we do not see the GC president except on a monthly basis, if the auditors have another suggestion we will be happy to comply.

FS 10-39 – PED Budget Reports

Condition: During our Budget test work we noted one expenditure that was listed on the PED report that was not in the general ledger.

Criteria: According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

Effect: The school is out of compliance with State Law.

Cause: The report sent to PED was not reviewed to ensure that it reflects what is in the general ledger. The school is in violation of NMAC 6.20.2.11 (B) (6) and Regulation SBE-6.

Auditor Recommendation: The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report does match the general ledger.
Management Response: This amount was recorded in 11000-2000-56113 of the GL, but OBMS would only accept it under function 2100 – see below. We will make sure that this is coded correctly for 2010-2011.

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<th>Account Code</th>
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<th>Actuals</th>
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FS 10-40 – RHC/ERB/CRS Payments

Condition: During our audit we noted the following:

- The RHC payments for July 2009 of $275.64, September 2009 of $2,398.06, and October 2009 of $2,240.63 were submitted late.
- A late payment penalty to ERB was paid in the amount of $22.46.
- A late payment penalty to NM Tax and Revenue was paid in the amount of $55.35.

Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation of law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported. Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month.

Effect: The school was in violation of RHC requirements and could be subject to penalties. Penalties were paid on ERB and CRS forms submitted late.
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Cause: The school did not make timely payments to the RHC, ERB or NM Tax & Revenue.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insure that all contributions are processed and paid timely.

Management’s Response: PAPA will ensure that future payments are made within the required time frame to avoid late fee penalties.

RALPH J. BUNCH ACADEMY

FS 08-136 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority.

EMSI
Direct Instruction $ 1,113

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures is the legal level of control.

Effect: Continued over expenditure of budgeted balances may result in unnecessary usage of operating funds to cover the over expenditures.

Cause: The school did not make the appropriate budgetary adjustment requests and transfers to alleviate possible over expenditure with in functions prior to the year-end.

Auditor’s Recommendation: The school should establish a policy of budgetary review at year-end and make the necessary adjustments.

Management’s Response: We disagree. Supporting documentation was provided. The amount of overage was a double cash receipt received for the grant that was returned to the grant manager. There was not an expenditure but a return of overpayment.

Auditor’s Response: We noted that the $1,626 paid back to the grantor was properly budgeted in account 56118. We noted that amount of $1,113 is related to various payroll accounts.

FS 08-137 Timely Deposits

Condition: During our test work, we noted that the item selected for our cash receipt test-work was not properly date stamped therefore we could not determine if the receipt was deposited within 24 hours. During our cash receipt walkthrough test work MA noted a cash receipt in the amount of $175 was lacking a deposit receipt, therefore, we could not determine if the receipt was deposited within 24 hours. We also noted 1 receipt, total amount of $65.90, was not deposited within 24 hours.
**Criteria:** NMSA 6.20.2.14 requires that the school make all deposits 24 hours of receiving the money.

**Effect:** This resulted in a violation of State laws. Additionally, the School has exposed itself to possible misappropriation of assets.

**Cause:** The school did not adequately document the date cash receipts were received and did not deposit funds within the required 24 hour period.

**Auditor’s Recommendation:** Implement procedures to ensure deposits are made within 24 hours of receipt.

**Management’s Response:** Cash receipting procedures have been implemented. However, the small size of the support staff impacts compliance. The school will review its procedures when support staff is absent.

**FS 09-163 Minutes**

**Condition:** We noted during our review of the December minutes that the findings were presented during an open meeting. Based on discussions with the Business Manager, the findings were not presented or discussed. Procedures regarding items that needed to be put in place were actually discussed.

**Criteria:** Open Meeting Act Section 10-15-1, NMSA 1978 states that the policy-making body shall keep written minutes of all its meetings. Draft minutes shall be prepared within ten (10) working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present.

**Effect:** Wording in the minutes is incorrect causing them to be mis-read.

**Cause:** The minutes had to be re-produced due to the computer issues.

**Auditor’s Recommendation:** The Governing Council and the administration of the school need to be more diligent in ensuring minutes are recorded, accurate, approved, and available for inspection.

**Management’s Response:** Procedures will be implemented to comply with the requirements of the open meetings act.

**FS 09-164 Internal Control Structure**

**Condition:** During our fieldwork we noted the following:

- We could not agree the 941 reports back to the general ledger. We noted a difference of $2,986.
- We noted Lunch money received in the amount of $43.80 was not verified for deposit as noted in the cash receipts policy.
- We noted that a cash receipt in the amount of $167 was posted to an incorrect fund.
Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: The financial statements could be misleading.

Cause: Items were not properly reviewed before being posted.

Auditor’s Recommendation: We recommend accounts be reviewed before they are posted to the General Ledger.

Management’s Response: Procedures have been implemented and are in place. We will emphasize the procedures with staff.

**FS 09-166 Gross Pay does not agree To Contract Amount**

Condition: During our test work, we could not agree the pay rate to the stated contract amount for 3 of 4 employees tested.

Criteria: NMAC 6.20.2.18 states that schools must have internal controls in place so employees are paid the correct amounts and that all related deductions are properly accounted for.

Effect: The school could be paying incorrect amounts to employees.

Cause: Documentation was not provided for additional amounts paid.

Auditor’s Recommendation: The school must insure to set up paycheck amount in the software according to the employee’s agreed upon contract amount and insure the related payroll deductions are being calculated correctly and properly accounted for.

Management’s Response: We disagree. The auditors were provided complete reconciliations for employees verifying the pay rate to the contract amounts. Procedures have been implemented with the new administration that reviews all payroll issues.

Auditors Response: We requested additional documentation regarding the amounts on the reconciliation. Documentation was not provided.

**FS 09-169 Budget Adjustment Requests (BAR)**

Condition: During our audit we noted and amount of $167 was incorrectly included in fund 14000 in the original budget. Per the grant award the BAR was to be posted in fund 27549. A BAR should have been completed during the year to correct the fund number for the revenue received by the school.
Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests.

Effect: PED does not have the correct reporting.

Cause: Grant award was not properly reviewed to ensure it was for the correct fund.

Auditor’s Recommendation: We recommend that any changes for the cash carryover needs to be agreed to the audited financial statements and that BARs are accurately completed and sent.

Management’s Response: The NM PED included in the budget in the final approved budget sent to the school. The NM PED distributed the amount with the wire received for the 14000 Instructional Materials Fund. The school followed the NM PED lead and put the budget into the fund designated. The funds received also were booked into the same fund. A review of PED documents will be reviewed more carefully in the future.

FS 09-170 Journal Entries

Condition: During our testwork we noted a journal entry was incorrectly posted causing a debit balance in an accounts payable account.

Criteria: NMAC 6.20.2.17 states that a school must establish procedures and follow them.

Effect: By having excessive journal entries and reversing journal entries, the organization increases its risk that the journal entries recorded cannot be traced to the general ledger to ensure their accuracy, and excessive time is spent at year end in preparing and auditing the financial statements.

Cause: Journal entry was not properly reviewed to ensure accuracy.

Auditor’s Recommendation: Journal entries should be reviewed and approved before posting to the general ledger to ensure entries are accurate, complete, and have a clear business purpose.

Management’s Response: Journal entries are reviewed and signed off. Emphasis will be placed on the review process to ensure accuracy and completeness supported by documentation

FS 09-172 PED Cash Reports/Budget reports

Condition: We could not agree the PED cash report to the General Ledger. We also could not agree the actual amounts submitted on the revenue and expenditure rollup reports back to the general ledger.

Criteria: According to State regulation 6.20.2.9 on or before July 31, school districts shall determine their actual cash balances in all funds and report them on the most current form prescribed by the department.
According to State Regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

**Effect:** The school is in violation of NMAC 6.20.2.9.

**Cause:** Journal entries were made after year-end.

**Auditor’s Recommendation:** We recommend the school complete a reconciliation of the GL to the final budget report submitted.

**Management’s Response:** The PED reports are reconcilable to the general ledger. The reports were prepared including summer payrolls to provide a complete financial picture to the PED. It should be noted that the preparation of the reports is under discussion by the PED as both NM PED budget analysts and school district business managers have various differing interpretations on how the reports should be completed.

**Auditor’s Response:** It appears that journal entries and other closing transactions were completed after the cash report was submitted to the PED. We recommend that the school implement procedures to ensure an earlier closing date so that the cash report agrees back to the general ledger.

**FS 10-41 941 Reports**

**Condition:** We could not verify when the 941 reports were submitted.

**Criteria:** Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation of law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

**Effect:** This could result in penalties and/or interest being assessed to the school.

**Cause:** The school does not keep signed copies of 941 reports submitted.

**Auditor’s Recommendation:** The school should keep copies of all submitted reports for compliance.

**Management’s Response:** The business manager has taken over all payroll and related liabilities payments. The reports and payrolls are reconciled and kept for documentation for audit and verification purposes.

**ROBERT F. KENNEDY HIGH SCHOOL**

**FS 06-178 – Budgetary Conditions**

**Condition:** The School has expenditure functions where actual expenditures exceeded budgetary authority.
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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<thead>
<tr>
<th>Category</th>
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**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 to 22-8.12.2 NMSA 1978 require that budgets not be exceeded at the level of control. For school districts, the expenditures are the legal level of control.

**Effect:** As a result, the School is in non-compliance with New Mexico state law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to cover the over-expenditures.

**Cause:** The School did not make the appropriate budgetary adjustment requests and transfers to alleviate possible over-expenditure within functions prior to the year-end.

**Auditors’ Recommendation:** The School should establish a policy of budgetary review at year-end and make the necessary budget adjustments.

**Management’s Response:** The school does have a policy of budget review in place on a monthly basis. The over expenditures occur at the end of the year as summer payrolls are run and final bills are paid. In the future the school will review encumbrances before year end and post adjusting entries accordingly.

**09-176 Pre-numbered Receipts/Timely Deposits**

**Condition:** During our test work, we noted that a cash receipt, in the amount of $1,065.56, selected for our cash receipt test-work did not have a pre-numbered receipt or a copy of the check, therefore, we could not determine if the receipt was deposited within 24 hours.

**Criteria:** NMAC 6.20.2 indicates that a “school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked “VOID” and retained in the receipt book”.

**Effect:** In addition to the School being in non-compliance with Statute, proper documentation of cash receipts is an essential internal control which mitigates the possibility of possible fraudulent activity as well as the possibility of errors.

**Cause:** The School did not utilize the pre-numbered receipt booklets for all cash received.
Auditor’s Recommendation: We recommend the School utilize and implement the policies and procedures set forth in the State Statute to ensure each cash receipt is issued and deposited within 24 hours.

Management’s Response: Checks received in the mail are typically not receipted, but date stamped by the clerk opening the mail. The receipt number generated by the financial system has been relied on as a numbered receipt. Procedures have been reviewed with staff.

**FS 10-42 Budget Adjustment Requests (BAR)**

**Condition:** During our audit we noted the amount budgeted for the SEG Stabilization did not agree to the total funded amount. We noted that the funded amount was $285,030 and the BAR amount was $288,513.

**Criteria:** In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

**Effect:** The final budget reported to the PED is not correct.

**Cause:** The school incorrectly calculated the SEG funds.

**Auditor’s Recommendation:** The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

**Management’s Response:** The funds for Beginning Teacher Mentoring were not expended during the fiscal year, so the school felt preparing a BAR to obtain budget authority for expenditures was not necessary. The variance in the SEG stabilization amount arose from a calculation error. Neither fund was over expended or had any unauthorized expense. The school will be more diligent in maintaining the proper budgets.

**FS 10-43 Disposition of Fixed Assets**

**Condition:** During our audit, we noted that the school failed to obtain approval by from the state to approve the disposal of fixed assets.

**Criteria:** Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code govern the disposition of fixed assets.

**Effect:** The school is not in compliance with Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code related to the disposal of fixed assets. Further, there was no certification that the hard drives of any of the donated computers were cleaned before disposal.
Cause: The school did not believe it was necessary to complete disposal forms since the buildings were going to another school.

Auditor’s Recommendation: We recommend that policies and procedures be established to ensure that all disposals are properly approved by the state.

Management’s Response: Since the school sold the portables to another public charter school, the statute concerning disposition approval was not thought necessary. This statute has been reviewed and although it still seems unclear on this issue, any future disposals will be reviewed more thoroughly.

FS 10-44 Procurement

Condition: During our procurement testwork we noted the following:

- School completed an RFP for two years in FY 2009; however, the contract noted was only a 1 year contract. School could not locate documentation showing that the RFP in FY 2009 was for 2 years.
- We noted that school did not go out to bid for services in three separate instances. Total expenditures to these vendors were $55,250, $56,175 and $124,361.

Criteria: As indicated in NMAC 1.4.1.14 through 1.4.1.28, an internal control structure over purchasing shall be established and maintained to assure compliance with school district policy and state and federal regulations in assurance that all the bids are supported by the proper documentation.

Effect: The school is not in compliance with NMAC 1.14.1.14 through 1.4.1.28.

Cause: The school did not expect amounts to increase over $50,000. The school also believed that the RFP was for multiple years but could not locate the documentation.

Auditor’s Recommendation: We recommend that the school designate a procurement agent who would be accountable for maintaining records and ensuring State and Federal procurement policies are being implemented and followed.

Management’s Response: The school will review procurement issues more thoroughly and utilize additional resources to insure compliance.

FS 10-45 Internal Control Structure

Condition: During our fieldwork we noted the following:

- We noted that the Public School Capital Outlay fund had $14,615 more expenditures than the allocation awarded by PED.
- We noted that there was $40 more in expenditures in fund 29131 than the carryover from the prior year.
- We noted there was $51 more in expenditures than the grant award for the City/County Fund.
• We noted that Medicaid billings are not being reconciled to the General Ledger.
• School could not provide documentation for prior year carryover in Beginning Teacher Mentoring funds.
• We noted cash receipt was posted to the wrong fund.
• We noted that contract services expenditures were posted to the payroll expense account in the amount of $8,510.
• We noted that the Title I fund had more expenditures in the fund than the grant award allowed.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: The financial statements could be misleading.

Cause: The school did not properly reconcile funds at year-end. The school was also not properly tracking the amounts to be recorded for Medicaid.

Auditor’s Recommendation: We recommend that school review PED crosswalk/supplement to ensure that grant awards are posted to the correct funds.

Management’s Response: Many of these problems were corrected through a subsequent journal entry. Any necessary changes to internal control structure will be developed and established. There will also be a procedure established for Medicaid billings to be reviewed and reconciled.

FS 10-46 ERB Contributions

Condition: We noted ERB payment for September 30, 2009 ($21,937.36) was not submitted until October 19, 2009.

Criteria: Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

Effect: The school was in violation of ERB requirements and could be subject to penalties.

Cause: School failed to make payments timely.

Auditor’s Recommendation: We recommend that school management implement an internal control system to insurance that ERB contributions are processed and paid timely.

Management’s Response: The school maintains a master calendar with all deadlines scheduled.

FS 10-47 Cash Carryover

Condition: During our test work, we noted that the school had excess cash carryover than allowed.
Criteria: Per NMSA 1978 Section 22-8-41, the allowable limit for a charter school’s ending operational cash balance is eighteen percent of the budgeted expenditures. The secretary shall reduce the state equalization guarantee distribution, calculated pursuant to Section 22-8-25 NMSA 1978, to the charter school by an amount equal to the school district's or charter school's excess cash balance.

Effect: The school could receive less SEG funds in FY 2010.

Cause: The school used funds to expend stimulus funds in current year.

Auditor’s Recommendation: We recommend that school management implement a system to ensure that the cash carryover does not exceed the amount allowed as this could affect future funding.

Management’s Response: The school was reviewing cash on a regular basis during the year to avoid this problem. In an effort to expend maximum stimulus dollars, Operational funds accumulated to a higher balance than anticipated.

SCHOOL FOR INTEGRATED ACADEMICS AND TECHNOLOGY

No findings noted in the current year

SOUTH VALLEY ACADEMY

FS 09-182 Budget Adjustment Requests (BAR)

Condition: During our audit we noted school over budgeted the McCune fund for the current year. We noted difference of $15,882 between budgeted carryover ($64,051) and carryover per the prior year financial statements ($48,169).

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

Effect: The final budget reported to the PED is not correct. The final budget has more carryover than allowed.

Cause: The school missed this fund when preparing budget adjustments for carryover.

Auditor’s Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management’s Response: We are aware that carry over must agree to financials and we will ensure that all carry over amounts are properly done and reviewed within a timely manner.
FS 09-183 Internal Control Structure

**Condition:** During our test work we noted the following:

- We noted that a payment for $10,627 from a vendor was posted to an incorrect account. The item was posted to account 56117 non-food instead of 56116 food.
- School posted revenue received from transportation funds to the operating fund in the amount of $4,969.
- We noted that $23,120 of E-rate funds were posted to the wrong period.
- We noted that $4,000 of USDA funds was incorrectly adjusted to fees account.

**Criteria:** Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

**Effect:** This resulted in a violation of NMAC 6.20.2.11 (b) and Regulation SBE-6. Additionally, PED does not have an accurate reporting of the school’s activity.

**Cause:** For the revenue account, the SEG and Transportation money was transferred together instead of on separate transactions. For the disbursement, it was incorrectly coded to the wrong account.

**Auditor’s Recommendation:** We recommend that the school review GL accounts during quarterly reporting. We also recommend that the school agree total revenue to the grant awards received for the year.

**Management’s Response:** This was corrected and is properly reflected on the fourth quarter report. However, we will implement new procedures to review quarterly, so this does not happen again.

**10-48 Communication of Audit Report**

**Condition:** We noted during the review of the minutes that the 2009 audit report was shared with the board of directors during the November 7, 2009 open meeting. The audit report was not released by the State Auditor until January 14, 2010 and was not allowed to be discussed with the board until 5 days after the release date.

**Criteria:** Per 12-6-5 NMSA 1978, an audit report does not become public record, subject to inspection, until five calendar days after the date it is released by the State Auditor to the agency being audited.

**Effect:** The school is in violation of state audit requirements.

**Cause:** A board member discussed the audit during an open meeting after the exit conference was held.
Auditor’s Recommendation: We recommend that the school review procure regarding the audit report and when it can be discussed in an open meeting.

Management’s Response: Our audit committee will ensure to report to the Governing Council 5 days after the audit report release date.

10-49 Credit Card Charges

Condition: During our testwork of credit cards, we noted the following:

- The school paid $330.67 for two months of finance charges/late fees.
- That the school paid $16.01 in tax related to supplies purchased from a vendor. The school is a tax exempt entity and is not required to pay sales tax for tangible items.

Criteria: All funds allocated to the school are to be spent on allowable expenditures in accordance with NMAC 6.20.2. Sounds Business practices require that payments to vendors be made timely. Per NMAC 3.2 Gross Receipts Tax, School districts are exempt from paying sales tax.

Effect: This resulted in unnecessary costs paid by the school.

Cause: The school often finds it hard to be completing the tax-exempt forms for vendors they have not previously used.

Auditor’s Recommendation: We recommend the school implement policies and procedures to insure that the school does not abuse public funds and insures that all amounts paid are correct and on-time.

Management’s Response: As of July 1st we implemented P-Cards to ensure that we do not pay taxes or interest. Also, new Business Manager Assistant ensures that payables are done on a timely matter.

SOUTH VALLEY ACADEMY FOUNDATION

FS 08-148 Inadequate Segregation of Duties in the Receipting and Disbursement Process

Condition: During our review of the cash receipts process and disbursement process, we noted that the only one person is handling all money and decisions.

Criteria: Sound business practice required adequate segregation of duties during the receipting process.

Effect: Without segregation of duties, the foundation has not mitigated the risk of errors or irregularities over the cash receipts process and disbursement process.

Cause: No staff. Only one person is handling all money decisions.

Auditor’s Recommendation: We recommend the foundation set up adequate segregations of duties.
**Management’s Response:** We continue to have no paid staff. We agree with your cause. We have tried to limit any handling of receipts by having lease checks deposited directly to the account.

**SOUTHWEST INTERMEDIATE LEARNING CENTER (FORMERLY LA LUZ DEL MONTE)**

**FS 10-50 Prepayment of Employee Contract**

**Condition:** We noted that employees are being paid before services are being rendered. The employee contract tested noted that the first payment to the employee would be payable on July 10, 2009, however, the school year as noted in the contract does not begin until August 3, 2009.

**Criteria:** Section 13-1-158 NMSA 1978 expressly states that “no warrant, check or other negotiable instrument shall be issued in payment for any purchase of services…unless the central purchasing office or the using agency certificates that the services…have been received and meet specifications…”

The anti-donation clause of the New Mexico Constitution, Article IX, Section 14, provides that “[n]either the state nor any county, school district or municipality, except as otherwise provided in the 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…”

**Effect:** As a result the school is out of compliance with state law.

**Cause:** The school had a difference of opinion on interpretation of state law in regards to “services performed”. The school’s administration believes services can be performed and required outside of the school building. The auditor believes the employee must be present in the building in order to perform services.

**Auditor’s Recommendation:** The school should update policies, procedures, or contract language to make sure that all services have been properly received before payment has been made.

**Management’s Response:** The school does not believe they are in violation of 13-1-158. As a charter school, the school requires employees to prepare lesson plans during the summer months, align the lesson plans to PED standards and benchmarks, and present the alignment to their peers in vertical articulation meetings that are held in August. For FY2010 employees were also required to complete a summer Professional Development Plan. This summer PDP and assigned reading were discussed at length and followed up with upon the staff’s return to school in August. This additional method for staff evaluation was approved as a waiver to the school’s charter renewal by the Secretary of Education.

**Auditor’s Response:** Based on employee contract, we noted that the “contract salary is based on a school year of 190 work days (beginning August 3, 2009).” Per the contract the “first installment shall be due and payable on July 10, 2009.” We suggest the school update contracts to be clear regarding additional summer work and to allow the contract salary to include days before August 3, 2009.
SOUTHWEST PRIMARY LEARNING CENTER

FS 10-51 Prepayment of Employee Contract

*Condition:* We noted that employees are being paid before services are being rendered. The employee contract tested noted that the first payment to the employee would be payable on July 10, 2009, however, the school year as noted in the contract does not begin until August 3, 2009.

*Criteria:* Section 13-1-158 NMSA 1978 expressly states that “[n]o warrant, check or other negotiable instrument shall be issued in payment for any purchase of services…unless the central purchasing office or the using agency certificates that the services…have been received and meet specifications…”

The anti-donation clause of the New Mexico Constitution, Article IX, Section 14, provides that “[n]either the state nor any county, school district or municipality, except as otherwise provided in the 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…”

*Effect:* As a result the school is out of compliance with state law.

*Cause:* The school had a difference of opinion on the state law interpretation in regards to “services performed”. The school’s administration believes services can be performed and required outside of the school building. The auditor believes the employee must be present in the building in order to perform services.

*Auditor’s Recommendation:* The school should update policies, procedures, or contract language to make sure that all services have been properly received before payment has been made.

*Management’s Response:* The school does not believe they are in violation of 13-1-158. As a charter school, the school requires employees to prepare lesson plans during the summer months, align the lesson plans to PED standards and benchmarks, and present the alignment to their peers in vertical articulation meetings that are held in August. For FY2010 employees were also required to complete a summer Professional Development Plan. This summer PDP and assigned reading were discussed at length and followed up with upon the staff’s return to school in August. This additional method for staff evaluation was approved as a waiver to the school’s charter renewal by the Secretary of Education.

*Auditor’s Response:* Based on employee contract, we noted that the “contract salary is based on a school year of 190 work days (beginning August 3, 2009).” Per the contract the “first installment shall be due and payable on July 10, 2009.” We suggest the school update contracts to be clear regarding additional summer work and to allow the contract salary to include days before August 3, 2009.

FS 10-52 Communication of Audit Report

*Condition:* We noted during the review of the minutes that the 2009 audit report/findings were shared with the board of directors during the November 3, 2009 open meeting. The audit report
was not released by the State Auditor until January 14, 2010 and was not allowed to be discussed
with the board until 5 days after the release date.

Criteria: For the fiscal year ended 6/30/2010, per NMSA 12-6-5 NMSA 1978, an audit report does
not become public record, subject to inspection, until five calendar days after the date it is released
by the State Auditor to the agency being audited.

Effect: The school is in violation of state audit requirements.

Cause: A board member discussed the audit during an open meeting after the exit conference was
held.

Auditor’s Recommendation: We recommend that the school review procedures regarding the audit
report and when it can be discussed in an open meeting.

Management’s Response: For the fiscal year beginning July 1, 2010, as required under NMSA 22-
8-12.3, the school has established a finance subcommittee and audit committee. One of the stated
purposes of the audit committee is to “be accessible to the external financial auditors to facilitate
communication with the board and superintendent”. The establishment of these committees
eliminates the need for the administration to brief the Board at board meetings on the progress and
status of the audit.

FS 10-53 Gross Receipts Tax

Condition: During our testwork, we noted that the school paid gross receipts taxes on tangible
items for supplies purchased. The school is a tax exempt entity and is not required to pay taxes for
tangible items. We noted a total of $143.29 in gross receipts tax paid to several vendors.

Criteria: All funds allocated to the school are to be spent on allowable expenditures in accordance
with NMAC 6.20.2.

Criteria: All funds allocated to the school are to be spent on allowable expenditures in accordance
with NMAC 6.20.2.

Effect: This resulted in unnecessary costs paid by the school.

Cause: The school often finds it hard to be completing the tax-exempt forms for vendors they have
not previously used.

Auditor’s Recommendation: We recommend the school implement policies and procedures to
insure that the school does pay gross receipts tax.

Management’s Response: The school will review policies and procedure to insure that gross
receipts tax are not paid on qualified items under a New Mexico Type 9 NTTC.
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Condition: During our procurement test work we noted the school did not go out to bid for services associated with their flight school program, to include maintenance and instruction. Total amount paid to vendor was $72,579.

Criteria: As indicated in NMAC 1.4.1.14 through 1.4.1.28, an internal control structure over purchasing shall be established and maintained to assure compliance with school district policy and state and federal regulations in assurance that all the bids are supported by the proper documentation.

Effect: The school is not in compliance with NMAC 1.14.1.14 through 1.4.1.28.

Cause: School was unclear as to a specific service and the procurement code’s requirements.

Auditor’s Recommendation: We recommend that the school designate a procurement agent who would be accountable for maintaining records and ensuring State procurement policies are being implemented and followed.

Management’s Response: Prior to the initiation of this program, the school could not have projected the overall success of the flight program or the student interest in the flight program. As such, the school never anticipated expending in excess of the limits.

That being said, the school believes it is still in compliance with the State Procurement Code. The total expenses of $72,579.00 include expenses for four separate line items – (fuel, training, maintenance, supplies) each under the allowed limit.

Additionally, the Albuquerque Police Department, Central New Mexico Community College, the State Police, and the United States Air Force all utilize the same vendor for fuel, maintenance, and training. Thus, governmental contracts have been issued that follow the State procurement procedures.

Federal procurement policies as recommended in the auditor’s response are not in contention as all expenditures identified involved the use of State funds – not federal funds.

Auditor’s Response: We believe that the school is in violation of the procurement code. We noted that the total expenses to the vendor were over the $50,000. While the expenditures may be separated between four separate line items, the fact remains that this is one vendor. In addition, these line items would still need to meet the procurement code of, purchases between $10,000 and $20,000 requiring 3 valid quotes. We recognize that there may be other agencies that use this vendor; however this vendor was not noted as having a State Wide Purchasing Agreement on the General Services Department site.

FS 10-54 Prepayment of Employee Contract

Condition: We noted that employees are being paid before services are being rendered. The employee contract tested noted that the first payment to the employee would be payable on July 10, 2009, however, the school year as noted in the contract does not begin until August 3, 2009.
Criteria: Section 13-1-158 NMSA 1978 expressly states that “[n]o warrant, check or other negotiable instrument shall be issued in payment for any purchase of services…unless the central purchasing office or the using agency certificates that the services…have been received and meet specifications…”

The anti-donation clause of the New Mexico Constitution, Article IX, Section 14, provides that “neither the state nor any county, school district or municipality, except as otherwise provided in the 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…”

Effect: As a result the school is out of compliance with state law.

Cause: The school had a difference in opinion on the interpretation of state law in regards to “services performed”. The school’s administration believes services can be performed and required outside of the school building. The auditor believes the employee must be present in the building in order to perform services.

Auditor’s Recommendation: The school should update policies, procedures, or contract language to make sure that all services have been properly received before payment has been made.

Management’s Response: The school does not believe they are in violation of 13-1-158. As a charter school, the school requires employees to prepare lesson plans during the summer months, align the lesson plans to PED standards and benchmarks, and present the alignment to their peers in vertical articulation meetings that are held in August. For FY2010 employees were also required to complete a summer Professional Development Plan. This summer PDP and assigned reading were discussed at length and followed up with upon the staff’s return to school in August. This additional method for staff evaluation was approved as a waiver to the school’s charter renewal by the Secretary of Education.

Auditor’s Response: Based on employee contract, we noted that the “contract salary is based on a school year of 190 work days (beginning August 3, 2009).” Per the contract the “first installment shall be due and payable on July 10, 2009.” We suggest the school update contracts to be clear regarding additional summer work and to allow the contract salary to include days before August 3, 2009.

FS 10-55 Communication of Audit Report

Condition: We noted during the review of the minutes that the 2009 audit report/findings were shared with the board of directors during the November 3, 2009 open meeting. The audit report was not released by the State Auditor until January 14, 2010 and was not allowed to be discussed with the board until 5 days after the release date.

Criteria: For the fiscal year ended 6/30/2010, per NMSA 12-6-5 NMSA 1978, an audit report does not become public record, subject to inspection, until five calendar days after the date it is released by the State Auditor to the agency being audited.

Effect: The school is in violation of state audit requirements.
**Cause:** A board member discussed the audit during an open meeting after the exit conference was held.

**Auditor’s Recommendation:** We recommend that the school review procedures regarding the audit report and when it can be discussed in an open meeting.

**Management’s Response:** For the fiscal year beginning July 1, 2010, as required under NMSA 22-8-12.3, the school has established a finance subcommittee and audit committee. One of the stated purposes of the audit committee is to “be accessible to the external financial auditors to facilitate communication with the board and superintendent”. The establishment of these committees eliminates the need for the administration to brief the Board at board meetings on the progress and status of the audit.

**FS 10-56 Budget Adjustment Requests (BAR)**

**Condition:** During our audit we noted school over budgeted the Operational fund for the current year. We noted difference of $4,504 between budgeted carryover ($450,000) and carryover per the prior year financial statements ($445,496).

**Criteria:** In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR’s are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10 A, “Budget adjustment requests shall be submitted on the most current form prescribed by the SDE. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

**Effect:** The adjusted budget reported to the PED is not correct.

**Cause:** The school did not adjust their carryover during the year.

**Auditor’s Recommendation:** The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

**Management’s Response:** The school is familiar with NMSA 6-6-6 and PED requirements related to budgeting. This was an oversight and it will not occur again as additional internal controls and procedures have been developed to ensure this oversight is not repeated.

**THE BATAAN MILITARY ACADEMY**

**FS 08-152 Budgetary Conditions**

**Condition:** The School has expenditure functions where actual expenditures exceeded budgetary authority:

| Operational Fund       | 53,725 |
| Direct Instruction     |       |
Federal Charter School Grant
  Direct Instruction  4,744
Special School Capital Outlay
  Capital Outlay  31,229

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2
NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts
the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of
budgets has been compromised.

Cause: The School did not make necessary budgetary transfers to alleviate the over-expenditures
experienced at each function. Expenditures were budgeted to a different function then they were
actually charged to.

Auditor’s Recommendation: The School should establish a policy of budgetary review at year-end
and make the necessary budgetary adjustments.

Management’s Response: The school reviewed its budget regularly. The budgets for the Federal
Charter School Grant and the Special State Capital Outlay were the results of issues within the NM
PED. Both of these budgets were caused by awards and reimbursements that took excessive time
to process by the PED. However, it should be noted that no expenditures were made by these
funds therefore no budget is required. The funds received are reimbursements that are receivables
on the schools books. The operational budget was worked over the year with administrative staff.
The school’s governing council and finance committee has implemented review procedures to
bring the school into compliance.

FS 08-155 Fixed Asset Inventory Count

Condition: The school performed a physical inventory of fixed assets at the end of the fiscal year
but did not reconcile it to the general ledger.

Criteria: Per NMAC 2.20.1.16 Annual inventory, at the end of the fiscal year, each agency shall
conduct a physical inventory of the fixed assets consisting of those with historical cost of five
thousand ($5,000) or more, under the control of governing authority.

Effect: The school is noncompliant with NMAC 2.20.1.16 and internal controls implemented for
safeguarding capital assets and establishing accountability for their custody and use.

Cause: The School’s fixed assets policies and procedures do not include a reconciliation of the
inventory to the fixed asset listing.

Auditor’s Recommendation: The school should follow policy for the Annual Inventory of capital
assets to take place and reconcile it to the capital asset listing.
Management’s Response: The school did take an inventory of theft sensitive supply assets and fixed assets as recommended. The inventory will continue annually to provide greater accountability. The inventory will be reconciled to the general ledger.

FS 08-158 Lack of Signatory Authority on Payroll Registers

Condition: During our review of payroll, we noted that the payroll register reviewed did not have any type of authorization/review sign offs. We also noted that other payroll registers that did have sign offs did not appear to be reviewed timely.

Criteria: Sound accounting practices and 2.20.2.11 NMAC requires each school to develop, establish and maintain a structure of internal accounting controls and written procedures. This includes the review process relating to documentation.

Effect: Because there is no review process, the risk of any fraudulent activity is high.

Cause: Emails approving payroll registers are not kept on file.

Auditor’s Recommendation: We recommend that policies and procedures be established that designated the individual, other than the one preparing payroll, to perform a final review of payroll to ensure that payroll is accurate and will also mitigate any risk of fraudulent activity within payroll.

Management’s Response: Procedures have been implemented that requires the payroll to be submitted by the administrator or designee at the school and once the payroll register is prepared it is then submitted back to the administrator for final review and approval prior to final submission. The process has been implemented since the 2009 audit exit conference was completed.

Auditor’s Response: We noted no evidence to show that payroll registers were reviewed timely. We also noted that a payroll register reviewed was not properly reviewed.

FS 09-195 BAR

Condition: During our test of the BARs we noted that we could not determine whether the Board was properly approving BARs.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests.

Effect: PED does not have the correct reporting.

Cause: The School does not have policies requiring Board approval of BARs.

Auditor’s Recommendation: We recommend that the School implement a policy that ensures BARs are approved by the Board during meetings and that meeting minutes are available for review.
Management’s Response: All BARs were approved by the governing council. Procedures will be implemented to record the approval in the governing council minutes.

FS 09-197 Internal Control

Condition: During testwork we noted the following:
1) ERB and 941 reports did not reconcile to the general ledger for the year ended June 30, 2010. ERB reports had a difference of $15,382 and 941 reports had a difference of $27,785. We noted that reports for three out of four quarters could not be provided.
2) Rent expense for the year did not agree to the lease agreements provided. We noted a difference of $23,947.
3) We noted that an entry fee for a wrestling event in the amount of $450 was posted to student transportation expense.
4) We noted that the school administrator contract had an amount of $84,000. We noted that the Personal Action Forms (PAF) had an amount of $94,315. This is a difference of $10,315.

Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to “set out in detail, in a separate section, any violation if law or good accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Effect: This could result in penalties and/or interest being assessed to the school. There could also be expenditures in the incorrect accounts and amounts paid to administrator may not be correct.

Cause: The payroll reports were completed by an outside payroll company during the year. The PAF done during the year did not agree to the contract rate. An addendum was not done to the contract.

Auditor’s Recommendation: The School must reconcile the general ledger to the ERB and 941 contributions to ensure the correct contributions are being submitted. We recommend the school ensure that all expenses are reviewed to ensure that they are posted to the correct accounts. We also recommend that procedures be in place to ensure that there are not differences between the PAF and the contract amount.

Management’s Response: The school business manager is now preparing all payrolls and related liability payments. Payments for rent were different based on availability of the new expanded facility; the school did not pay rent for months it did not have access to the facility. Procedures have been implemented to insure the general ledger is reconciled to all reports filed. The school is reviewing its contract with the administrator to determine the correct contract amount.

THE LEARNING COMMUNITY CHARTER SCHOOL

FS 09-203 Internal Control Structure

Condition: During our test work we noted the following:
• We noted school did not post revenue from the APS Foundation to the correct fund.
• We noted that the final reimbursement request for the Capital Outlay funds was for more than the grant award.
• We noted that school posted expenditures to fund 27164 that were not true expenditures of the fund. The grant award had been expended in the prior period.
• We noted two expenditure accounts had a credit balance, 11000-1000-57332 and 11000-2500-56118.
• We noted during our compliance testwork for reporting that the financial expenditures were reported not properly reported correctly by the due date. We noted that a journal entry was completed during September 2010 and an updated report was submitted to PED after the required due date.
• We noted a BAR was not completed to budget for the foundation audit.
• We noted that the school had not re-classed $13,007 of expenditures related to Special Capital Outlay into the correct fund.
• Expenses for Dell laps tops were posted to materials and supplies account (56118) instead of supply assets $5,000 or less account (57332).
• We noted that several items were accrued on the school books at year-end for accounts payable that were not considered expenditures related to fiscal year 2010.
• 10 laptops purchased, in the amount of $3,484.70, were posted to the incorrect fund and were charged to the wrong account.
• Hourly rate for 5 out of 5 employees tested was calculated incorrectly as the school used .3 for half an hour instead of .5
• We noted a double payment was made to a vendor for the same services.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: This resulted in a violation of NMAC 6.20.2.11 (b) and Regulation SBE-6. Additionally, PED does not have an accurate reporting of the school’s activity.

Cause: Coding is not being checked when the Purchase Order is entered by the Business Manager. Adjustments are being made without reconciling accounts and funds to the grant awards.

Auditor’s Recommendation: Account coding should be carefully checked before posting transactions.

Management’s Response: Management is not in agreement with the following internal control findings for the reasons stated below:

1) Revenue was not posted to the APS foundation because the letter received with the checks for this grant indicates setting up an activity account which is fund 23000 in the chart of accounts. The auditor indicates this should be fund 26000 as per page GG-26 audit re-class of the $4,495, but the documents indicate otherwise.
2) Reimbursement request for the lease assistance was and has been made out the same for the last number of years. We indicate what the school paid on the letter, But nowhere did we ever indicate that we were requesting what was paid by the school; we know lease reimbursement does not cover all 100% of amount paid. We get and have
been reimbursed 1/4\textsuperscript{th} of the amount approved by PSCOC every quarter. The document does not ask for reimbursement of our amount paid.

3) TLC posted expenses to fund 27164 (School Improvement Grant) since PED approved the BAR in fund 27164, and our final report was approved by PED with the expenditures in fund 27164. These were approved by PED program unit and finance unit.

4) TLC does not show any credit balance expenditures in accounts 11000-1000-57332, or 11000-2500-56118. Our year end final reports to PED are generated from our accounting system software and we did not show any credit balance expenditures. Our June 30\textsuperscript{th} final report was approved and accepted by PED.

5) TLC has some reclassification of expenditures in September 2010 with the knowledge and approval of PED to make those reclassifications. They were to post some expenditures to the appropriate function within the same budget.

6) TLC did not process a BAR (budget adjustment request) for the foundation audit since this was a single expense to a single line item. Our year end budgets were all in the black by budget and function. We are not aware of any regulation or requirement to process BAR’s for single expenses.

7-12) Management is aware of the other findings and complies with all procedures in review of account coding, reclassification of appropriate expenditures, accrued year end items, calculation of hours, and payment only on original invoices. Management will work with our new finance committee for more oversight.

\textit{Auditor’s Response:}

1) We agree that the grant award noted that the school should set-up an activity fund. The school did not post the funds to fund 23000 (the schools activity fund) as noted above. The funds were posted to the operating fund. Per the PED UCOA the correct fund number for the APS Join a School fund is 26190. The school should review the UCOA to ensure that all funds are posted to the correct fund number as provided by the PED.

2) Per the documentation provided, we noted that the 4\textsuperscript{th} Quarter bill had a total amount of $45,344.50. Of this amount, only $31,707 was considered the balance on the grant award at June 30, 2010. We noted that the school relied on the controls of the PED to provide the correct amount of $31,707. The school should establish procedures to ensure that the final bill of the year does not exceed the grant award.

3) We noted that the expenditures per fund 27164 were expended in the prior year. Per the client, the PED requested that the request for reimbursement (rfr) be re-submitted in order to receive the funds. The school re-classed current year expenditures into this fund in order to re-submit the rfr. This caused expenditures to be over-stated in this fund since there was only one rfr for the prior year expenditures. The school should establish procedures to ensure that rfr’s are submitted timely so that the correct expenditures are requested with each rfr.

4) The credit balances were due to adjustments that were required to be made to move the expenditures from the operating fund into the special capital outlay fund. Per the documentation provided, the expenditures were coded to these accounts. We noted that there were no expenditures in these accounts. We could not trace where the expenditures had been adjusted to in the journal ledger. The school should implement procedures to ensure that all expenditures are properly reported in the correct funds.

5) We agree that the school has received approval by the PED. However, the reclassification was made to a federal fund. Per the guidance provided, reports are not allowed to be
changed for federal funds. The school should review all fourth quarter reports to ensure that changes are not required to be made after the report deadline.

6) We agree that the expenditure did not exceed the budget for the function. The above reference is related to the control that the expense paid exceeded the budget allowed. We recommend that the school use the budget as a control to ensure that the expenditures are being posted to the correct funds and that an internal BAR is not required.

**FS 09-204 RHC Contributions**

*Condition:* During our test work we noted the RHC report for August 31, 2009 (1,552.87) was not submitted until September 16, 2009.

*Criteria:* Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

*Effect:* The school was in violation of RHC standards.

*Cause:* The school failed to make timely RHC contributions.

*Auditor’s Recommendation:* We recommend that school management implement an internal control system to insure that RHC contributions are processed and paid in a timely manner.

*Management’s Response:* Management has implemented appropriate steps to ensure that all state reports are filed in a timely manner. It may be also noted that the report was correct with no errors.

**FS 09-207 PED Cash Reports/Budget reports**

*Condition:* The School’s cash report to the Public Education Department did not agree to the General Ledger for the General Fund and Student Activity Fund. We also noted due to expenditures being posted in the wrong fund that cash reported at year-end was overstated for fund 31400 and understated for fund 11000.

*Criteria:* According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

*Effect:* PED does not have an accurate accounting of the school activity.

*Cause:* The report sent to PED was not reviewed to ensure that it reflects what is in the general ledger. The school is in violation of NMAC 6.20.2.11 (B) (6) and Regulation SBE-6.

*Auditor’s Recommendation:* The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report does match the general ledger.

*Management’s Response:* Management will have the completed reports reviewed by the Principal and our new Finance Committee to ensure compliance with this requirement.
FS 10-57 Gross Receipts Tax

**Condition:** During our testwork, we noted that the school paid gross receipts taxes on tangible items for supplies. The school is a tax exempt entity and is not required to pay taxes for tangible items. We noted a total of $21.30 in gross receipts tax paid.

**Criteria:** All funds allocated to the school are to be spent on allowable expenditures in accordance with NMAC 6.20.2.

**Effect:** This resulted in unnecessary costs paid by the school.

**Cause:** The school often finds it hard to be completing the tax-exempt forms for vendors they have not previously used.

**Auditor’s Recommendation:** We recommend the school implement policies and procedures to insure that the school does not abuse public funds and insures that all amounts paid are correct.

**Management’s Response:** Management will implement a procedure for more review of invoices prior to payments being made.

FS 10-58 Board Minutes

**Condition:** During our audit, we noted the Board approved minutes for the October 2009 meeting had statements that conflicted with actual financial activity of the school. All board members subsequently attested to these false statements, noting the inaccuracies of what was actually discussed and what was written for the minutes.

**Criteria:** Open Meeting Act Section 10-15-1, NMSA 1978 states that the policy-making body shall keep written minutes of all its meetings. Draft minutes shall be prepared within ten (10) working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present.

**Effect:** Wording in the minutes is incorrect causing them to be misread.

**Cause:** The minutes were not correctly documented because of turnover with the Secretary.

**Auditor’s Recommendation:** The Governing Council and the administration of the school need to be more diligent in ensuring minutes are recorded, accurate, approved, and available for inspection.

**Management’s Response:** Management will ensure closer review of the Board Minutes prior to finalization.

FS 10-59 Payroll

**Condition:** During our test work of payroll MA noted the following:
• We noted that the employee was paid a rate of $75 per hour for hours worked. We noted that the hourly rate per the contract was $46.96. We noted no documentation regarding increase in hourly rate paid.

**Criteria**: 6.20.2.18 PAYROLL: The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations. Schools must have internal controls in place so that employees are paid the correct amounts.

**Effect**: Employee was not paid at the correct rate. In addition, the School did not withhold and possibly state taxes and other withholdings in the proper amounts. The school may be liable for the shortages related to the issues noted as well as possible penalties and interest. In addition, shortages with regards to withholdings relating to ERB and RHC contributions may result in the School being liable for penalties and interest, but lost gain as well.

**Cause**: The School did not properly process payroll as it related to contracts, employees withholdings; as well as ERB and RHC contributions. The School did not verify contract amounts and other personnel information between human resources and the accounting system.

**Auditor’s Recommendation**: The School must ensure that every signed contract amount, authorized employee deductions, and required taxes are being deducted appropriately on the employee’s paycheck.

**Management’s Response**: Management paid an employee for off contract work not related to the regular teaching duties. Management was under the belief that per HB-212 salaries can be set by the administrator. The hourly rate will not apply in this case since it was a specific job for a set lump sum amount. The documentation was provided to the auditor indicating the approval of the supervisor, hours and days worked, and duties performed for this pay.

**Auditor’s Response**: We agree that documentation provided indicated the approval of hours work and the duties performed, however documentation was not provided indicating the approved lump sum amount noted above for work related to non-teaching duties. We could not agree the rate of $75 per hour paid to any supporting documentation provided.
FS 10-60 Prepayment of Employee Contract

**Condition:** We noted that employees are being paid before services are being rendered. We also noted that the timesheets were approved by the principal before the time for week had been completed. We noted the following:

- 8 hours was prepaid on an employee check written on 05/27/2010. Approved on 05/26/2010.
- 4 hours was prepaid on an employee check written on 06/23/2010. Approved on 06/21/2010.
- 4 hours was prepaid on an employee check written on 06/23/2010. Approved on 06/22/2010.

**Criteria:** Section 13-1-158 NMSA 1978 expressly states that “[n]o warrant, check or other negotiable instrument shall be issued in payment for any purchase of services…unless the central purchasing office or the using agency certificates that the services…have been received and meet specifications…”

The anti-donation clause of the New Mexico Constitution, Article IX, Section 14, provides that “[n]either the state nor any county, school district or municipality, except as otherwise provided in the 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…”

**Effect:** As a result the school is out of compliance with state law. This also increases the risk of fraud that fraudulent payments are being made.

**Cause:** This was due to extra payroll runs being completed for additional work.

**Auditor’s Recommendation:** We recommend that the school implement procedures to ensure that the school pay for services rendered.

**Management’s Response:** Management will implement procedures that will not allow or permit any prepaid or preapproved amounts. These hours were pre-approved but the check was not released until after work was completed.

**THE LEARNING COMMUNITY CHARTER SCHOOL FOUNDATION**

No financial statement findings

**ALBUQUERQUE PUBLIC SCHOOL FOUNDATION**

FS 09-242 Reconciliation of Bank and Investment Accounts

**Condition:** Monthly reconciliations of cash and investment accounts were not consistently and accurately performed and results of material differences and stale dated items found in reconciling procedures was not further evaluated and resolved. Review procedures found material overstatedements of cash due to erroneous or duplicate postings.

**Criteria:** Good internal controls require that reconciliations be performed timely, reviewed by a supervisor to ensure accuracy and all reconciling items, including stale dated or material differences, be followed up upon and resolved timely.
Effect: Cash and investment general ledger balances may be incomplete or erroneous. In addition, asset misappropriation could occur and not be detected.

Cause: It appears that low staffing levels and high turnover of accounting personnel may be the cause.

Recommendation: We recommend that a supervisor review and approve all bank reconciliations of both cash and investment accounts on a monthly basis. Additionally, the Foundation should consider hiring an accounting consultant to ensure that bank and investment accounts are reconciled in a timely manner and that related activity is accurately recorded in the general ledger. All reconciling differences should be analyzed and resolved.

Management’s Response:

The monthly activity of reconciliations of both cash and investment accounts will be conducted by a contracted accountant at Burgmaier & Helton CPAs. Review and oversight will be provided internally by the Resource Specialist, and final approval will be provided by the Executive Director.

FS 09-243 Cash Receipt and Deposit Controls

Condition: During our review of the cash receipt and deposit process we noted inadequate segregation of duties. We found that one person is responsible for receiving donations, preparing the deposit and recording the activity in the general ledger.

Criteria: Good internal controls require that processing and recording of contributions be performed by at least two individuals.

Effect: Inadequate segregation of duties could lead to inaccurate recording of receipts and/or misappropriation of assets.

Cause: It appears that low staffing levels and non-compliance with policies and procedures may be the cause.

Recommendation: We recommend segregating the duties of processing and recording contributions received and revising policies and procedures to specify which personnel will perform these tasks.

Management’s Response:

Segregation of duties for processing, receipting and registering deposits will be corrected with a contracted accountant in place. Donations will be received by the Resource Specialist at the Foundation office, with receipting prepared in advance of the deposits being recorded by the contracted accountant at Burgmaier & Helton CPAs.
FS 09-245 Journal Entry Controls

Condition: During our review of journal entries, it was noted that the internal controls surrounding the posting process are not effective in that journal entries are not reviewed and approved.

Criteria: Good accounting policies require that journal entries be reviewed and approved.

Effect: Journal entries could be posted incorrectly and lack of review and approval increases the risk of fraud.

Cause: It appears that low staffing levels and lack of policies and procedures for posting and reviewing of journal entries may be the cause.

Recommendation: We recommend that the Foundation implement a policy that requires journal entries to be reviewed and approved. Evidence of review and approval should be documented on a journal entry voucher form that is attached to supporting documentation.

Management’s Response:

As per the implementation of the policy listed under “Accounting Practices,” a Journal Entry Voucher will be issued for review and approval with attached supporting documentation.
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

APS SINGLE AUDIT

FA 07-03 Title I and Title IIa, - Allowable Costs - Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies Improving Teacher Quality State Grants
CFDA Number: Title I – 84.010
Title IIa – 84.367
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted 1 of 19 employees tested had no certification of their level of effort on the Title I grant. Five of twenty-three employees tested had no certification of their level of effort on the Title IIa grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:
Title I - $483,301
Title IIa - $186,815

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated. The amount of questioned costs represented above was calculated based on all the employees’ salaries of those who did not return the certification form.

Cause: Grant management has a control in place for Time and Effort Certifications but some schools/departments are not returning the certifications as requested from Grant management.

Auditor’s Recommendation: We recommend that APS develop follow-up procedures to ensure Time and Effort certifications are returned to APS Grant Management in a timely manner.

Management’s Response: Management is aware of the requirements set forth by OMB Circular A-87 and has developed a procedure for time and effort compliance. Management has strengthened follow up procedures to ensure time and effort compliance whereby immediately after the deadline for certification, the CFO will be informed of all employees with outstanding certifications. The CFO will work with the Assistant Superintendent for Human Resources to notice recalcitrant employees of their responsibility to comply with time and effort reporting as well as the consequence for not complying.

FA 08-02 Carl Perkins - Equipment - Additions, Physical Inventory, and Deletions

Condition: We noted during our equipment testwork that the completeness of the inventory population for Carl Perkins could not be determined, therefore, physical inventory testwork
could not be performed. In addition, deletions testwork was not performed because federal dispositions are not tracked as federal assets and the completeness of the inventory population could not be determined.

Criteria: According to OMB Circular A-133, equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Questioned Costs: $59,669

Effect: The District cannot adequately reconcile the Carl Perkins current year equipment additions in the inventory system to the financial system; therefore, we cannot determine if the inventory listing is complete. There is some risk that federal funding could be negatively impacted.

Cause: Per discussion with the Capital Outlay Controller, APS is still unable to provide an asset by asset listing for the Carl Perkins Grant.

Auditor’s Recommendation: We recommend that APS implement procedures to reconcile current year assets from the inventory system to the financial system individually. In addition, we recommend that APS implement written procedures to identify federal assets.

Management’s Response: Management is aware of the requirements set forth by OMB Circular A-133 for the proper maintenance of records of equipment purchased with federal dollars. Management has developed a follow up procedure to reconcile current year assets from the inventory system to the financial system individually and to properly identify, record and dispose of federal assets.

21ST CENTURY PUBLIC ACADEMY

FA 10-01 EMSI Stabilization – Cash Management

Funding agency: U.S. Department of Education
Title: EMSI Stabilization
CFDA Number: EMSI Stabilization CFDA 84.394
Award Year & Number: 2010

Condition: During our testwork we noted that reimbursement request was not submitted timely.

Criteria: Per OMB Circular A-110, _21, Subpart C- Post-Award Requirements, recipients should have effective control over and accountability for all funds, procedures in place to minimize the time elapsing between the transfer of funds to the recipient, and procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
Questioned Costs: $4,650

Effect: This could result in the school not being reimbursed for their expenditures and possibly lead to less federal funding in the future.

Cause: School failed to timely request reimbursements for the grant.

Auditor’s Recommendation: We recommend that the school perform reconciliations to verify balances are accurate and to ensure that reimbursement request have been submitted in a timely manner.

Management’s Response: The school will perform reconciliations to verify balances are accurate and to ensure that reimbursement request have been submitted in a timely manner.

ACADEMIA DE LENGUA Y CULTURA

FA 10-02 Title I and Idea-B - Allowable Costs –Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
   Title: Special Education – Grants to States (IDEA, Part B)
   Title I Grants to Local Educational Agencies
CFDA Number: IDEA - 84.027 and 84.391A
   Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 1 of 1 employee’s tested had no certification of their level of effort on the IDEA grant. In addition, 1 of 1 employee’s tested had no certification of their level of effort on the Title I grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:
   IDEA B    $18,594
   Title I    $22,800

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: The school was not aware of this requirement.

Auditor’s Recommendation: The school should read the compliance supplement of all grants awarded, so they are aware of all the requirements.
Management’s Response: This has since been corrected. A copy of the T&E form for the Title I teacher was located and forwarded to Moss Adams. Business manager was not aware that a T&E form had to be completed for the IDEA-B (Special Ed.) teacher. However, T&E forms are being completed by both the Title I teacher and the Special Ed. teacher as of the current FY10-11.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

FA 10-03 – Stabilization-Cash Management

Funding agency: U.S. Department of Education
Title: EMSI Stabilization
CFDA Number: EMSI Stablization-84.394
Award Year & Number: 2010

Condition: We also noted that the school did not properly reconcile the Stabilization fund cash balance. We noted the school had excess revenues at year-end of $3,233.

Criteria: According to Part 3 of the A-133 Compliance Supplement, “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” Per OMB Circular A-110, _21 Subpart C- Post-Award Requirements, “Recipients’ financial management systems shall provide for the following:

- Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section_.52
- Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- Effective control over and accountability for all funds, property and other assets.
- Comparison of outlays with budget amounts for each award.
- Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.”

Questioned Costs: $3,233
Effect: The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: This was due to the PED providing the first installment of funds to the school without expenditures being requested.

Auditor’s Recommendation: We recommend the school implement policies to ensure that all expenditures properly agree to funds received from reimbursement requests.

Management’s Response: Business manager and the Principal will ensure that revenues and expenses reconcile at the year-end. Principal is and will continue to review all financial documents including request for reimbursement to ensure that revenues and expenditure agree.

FA 10-04 Idea-B – Reporting

Funding agency: U.S. Department of Education  
Title: Special Education – Grants to States (IDEA, Part B)  
CFDA Number: IDEA - 84.391A  
Award Year & Number: 2010

Condition: During our testing of reporting for single audit we noted, four (4) of four (4) IDEA, Part B ARRA fund quarterly reports were not submitted.

Criteria: Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009).

Effect: The charter school is not in compliance with grant reporting requirements and ARRA funding transparency into the use of these funds.

Cause: School personnel missed the quarterly reporting deadlines.

Auditor’s Recommendation: We recommend that the charter school review the reporting requirements of the grant and ARRA funding transparency into the use of those funds to ensure timely and proper reporting of each quarter.

Management’s Response: This has since been corrected. The business manager is reporting quarterly in CertiClear for all ARRA funds including IDEA-B funds.

ACADEMY OF TRADES AND TECHNOLOGY

FA 10-05 Title I and IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education  
Title: Special Education – Grants to States (IDEA, Part B)
Title I Grants to Local Educational Agencies
CFDA Number: IDEA - 84.027 and 84.391A
Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant. 6 of 6 employees tested had no certification of their level of effort on the Title I grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:
   Title I: $ 86,977
   IDEA B: $ 111,649

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: Management has developed and implemented a follow-up procedure to ensure Time and Effort certifications are prepared and retained.

FA 10-06 Title I and IDEA-B – Cash Management

Funding agency: U.S. Department of Education
   Title: Special Education – Grants to States (IDEA, Part B)
   Title I Grants to Local Educational Agencies
CFDA Number: IDEA B- 84.027 and 84.391A
   Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our audit, we noted the final federal reimbursement request for fiscal year 2010 for Title I Federal Stimulus in the amount of $10,803 has not been completed. We also noted a reimbursement request, for expenditures from April through June, was submitted in August 2010 for IDEA B. This reimbursement request was not approved; however the school has not followed up on the request for these funds.

Criteria: Per OMB Circular A-110, _.21, Subpart C- Post-Award Requirements, recipients should have effective control over and accountability for all funds, procedures in place to minimize the time elapsing between the transfer of funds to the recipient, and procedures for
determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

Effect: This could result in the school not being reimbursed for their expenditures and possibly lead to less federal funding in the future.

Cause: School failed to review and submit reimbursement requests for grants in a timely manner.

Auditor’s Recommendation: We recommend that the school perform reconciliations to verify balances are accurate and to ensure that reimbursement request have been submitted in a timely manner.

Management’s Response: Management will perform quarterly reconciliations to verify balance and ensure timely reimbursement request.

ALBUQUERQUE TALENT DEVELOPMENT

FA 10-07 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 2 of 2 employees tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $25,983

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school, through the assistance of the contracted (new) Business Manager, was able to implement sound Internal Controls as indicated in the reduction of audit findings from 2009 to 2010. The school will continue to improve its
procedures by implementing the documentation process of Time and Effort to adhere to federal fund requirements

ALICE KING COMMUNITY SCHOOL

FA 10-08   IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number:  2010

Condition: During our testing of payroll for single audit we noted, 2 of 2 employees tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $46,518

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: This is a new finding we were unaware of. We will correct this for the 2010-2011 fiscal year.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

FA 10-09   Stabilization/Teacher Principal Training-Cash Management/Reporting

Funding agency: U.S. Department of Education
Title: Improving Teacher Quality State Grants EMSI Stabilization
CFDA Number: Title IIa – 84.367 EMSI Stablization-84.394
Award Year & Number:  2010
**Condition:** We noted during our testwork that $56 more in expenditures related to the Teacher/Principal Training Grant were requested then in the General Ledger. We also noted that the school did not properly reconcile the Stabilization fund cash balance. We noted the school had excess cash at year-end.

**Criteria:** According to *Part 3 of the A-133 Compliance Supplement,* “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” Per *OMB Circular A-110, Subpart C - Post-Award Requirements,* “Recipients’ financial management systems shall provide for the following:

- Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section .52
- Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- Effective control over and accountability for all funds, property and other assets.
- Comparison of outlays with budget amounts for each award.
- Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.”

**Questioned Costs:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title IIa:</td>
<td>$ 56</td>
</tr>
<tr>
<td>EMSI Stabilization:</td>
<td>$ 516</td>
</tr>
</tbody>
</table>

**Effect:** The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

**Cause:** Project management tracks equipment in excel and does not know how to reconcile the fiscal information listed on the annual report to the general ledger or other reliable records such as Lawson reports. In addition, program management is not aware that reports must be properly reviewed by someone other than the preparer.

**Auditor’s Recommendation:** We recommend the school implement policies to ensure that all reimbursement requests have the correct expenses in the correct funds and that all reimbursed funds are properly reconciled.

**Management’s Response:** This was corrected before June 30th however because it is a federal fund, we will make sure that reimbursement requests match actual expenditures before submitting.
AMY BIEHL CHARTER HIGH SCHOOL

FA 10-10 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 4 of 4 employees tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $117,698

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: Over the past 10 years Amy Biehl High School has been the sub-recipient of this grant. Our authorizer has been the entity who submits the grant request and subsequently informs the school of its proportional share. Our authorizer has never shared with the school a copy of the grant or shared grant requirements; we have only been required to inform our authorizer of how we intend to spend our allocation. It is striking that in the 10 years that we have been a sub-recipient of this grant we have not previously received an audit finding for this.

The Finance Director has attended numerous trainings during her tenure at the school and the Time and Effort Certification Report requirement was not addressed in the trainings attended.

We understand that the verbage “questioned costs” must be included due to the missing Time and Effort Certification Reports. These funds are used to pay staff members and contracted services personnel who work with our special education student population. Amy Biehl High School has received full budget authority for these expenditures from the PED Special Education Bureau.

Auditor’s Response: These compliance requirements are part of the Compliance Supplement as noted in the criteria. The authorizer of the school is aware of the requirements as they
have received this finding for several years. This finding is part of the financial report that is available for review by the finance director. The finance director should review federal requirements and be aware of the requirements for federal funds spent by the school. We also noted these requirements were communicated during the Spring Budget Workshop held by the Public Education Department.

**CAREER, ACADEMIC & TECHNICAL ACADEMY**

**FA 10-11 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort**

**Funding agency:** U.S. Department of Education  
**Title:** Special Education – Grants to States (IDEA, Part B)  
**CFDA Number:** IDEA - 84.027 and 84.391A  
**Award Year & Number:** 2010

**Condition:** During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant.

**Criteria:** According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

**Questioned Costs:** $28,906

**Effect:** The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

**Cause:** School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

**Auditor’s Recommendation:** We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

**Management’s Response:** CATA used Griego Professional Services, LLC for the school year 2009-2010; the new Business Manager will ensure that compliance is done for employees paid out of federal grants.

**FA 10-12 State Fiscal Stabilization Fund – Allowable Costs**

**Funding agency:** U.S. Department of Education  
**Title:** State Fiscal Stabilization Fund – Education State Grants (Education Stabilization Fund)  
**CFDA Number:** Education Stabilization Fund - 84.394  
**Award Year & Number:** 2010
Condition: During our review documentation we noted that a payment was made to purchase materials to either make repairs to the building or for leasehold improvements.

Criteria: OMB Circular A-133 Compliance Supplement, Allowable Costs Requirements (4-84.000-8) states that for school districts and charter schools, the written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments. Per the compliance supplement no entity may use the funds for maintenance of systems, equipment or facilities.

Questioned Costs: $150.28

Effect: Funds were spent that are not considered allowable.

Cause: The school posted a transaction that was not considered allowable to the stabilization fund.

Auditor’s Recommendation: We recommend that the school develop procedures to ensure that purchases made with federal funds properly follow the compliance supplement and the grant award and are properly documented.

Management’s Response: CATA is searching for supportive documentation regarding this finding. CATA used Griego Professional Services, LLC for the school year 2009-2010; the new Business Manager will ensure that proper supporting documentation of expenditures is kept as back up for all funds.

CORRALES INTERNATIONAL CHARTER SCHOOL

FA 10-13 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort
Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”
Questioned Costs: $4,867

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school was unaware of the requirement for IDEA-B to complete a time and effort certification. The information provided by the district listed Title I as the requirement. The certification will be completed in the future. It should be noted that all expenditures from this fund were allowable as defined in the grant.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

FA 10-14 IDEA-B – Internal Controls

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our review of controls regarding the IDEA B fund we noted that the school does not have appropriate controls in place over its federal funds in relation to payroll testwork. During our control test work we were unable to recalculate the gross pay amount for 1 employee tested. We noted gross amount paid was $2,425.88 and the total recalculated amount per the contract was $2,347.73 for a difference of $78.15.

Criteria: According to OMB Circular A-133, “The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for Federal programs (Internal Control over Federal Programs), as found in §____.105 of OMB Circular A-133, are as follows:
(1) Transactions are properly recorded and accounted for to:
   (i) Permit the preparation of reliable financial statements and Federal reports;
   (ii) Maintain accountability over assets; and
(iii) Demonstrate compliance with laws, regulations, and other compliance requirements

NMAC 6.20.2.18 states that schools must have internal controls in place so employees are paid the correct amounts and that all related deductions are properly accounted for.

**Questioned Costs:** $78.15

**Effect:** The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

**Cause:** Documentation was not kept by school regarding changes in payroll.

**Auditor’s Recommendation:** We recommend that the School implement internal controls to ensure that payroll is being processed according to the contract.

**Management’s Response:** Procedures have been implemented to maintain compliance with all requirements of the ARRA funds. The school will implement additional procedures to ensure payments made agree to contract terms.

**DIGITAL ARTS & TECHNOLOGY ACADEMY**

**FA 10-15 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort**

**Funding agency:** U.S. Department of Education

**Title:** Special Education – Grants to States (IDEA, Part B)

**CFDA Number:** IDEA - 84.027 and 84.391A

**Award Year & Number:** 2010

**Condition:** During our testing of payroll for single audit we noted four employees tested had no certification of their level of effort on the IDEA grant.

**Criteria:** According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

**Questioned Costs:** $95,938

**Effect:** The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

**Cause:** School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications

**Auditor’s Recommendation:** We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.
Management’s Response: The school was unaware that Time and Effort certifications are required for the IDEA grant. The memorandum from the district indicated Title funds. All expenditures made for the grant complied with the requirements of the grant. Time and Effort certifications have been implemented.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

EAST MOUNTAIN HIGH SCHOOL

FA 10-16 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted 3 out of 3 employees tested had no certification of their level of effort on the IDEA grant. Of these three employees we noted that that one employee had reports that explained the tasks completed however the reports did not indicate how much time was spent on the grant. Another employee that had a report that included the students she worked with and the time spent with each student however the report was not certified.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $36,065

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School did not require Time and Effort certifications for all staff charged to grant award.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.
Management’s Response: The school will revise its reporting form to include time spent and will require any employee paid with IDEA-B monies to regularly complete and certify the report.

EL CAMINO REAL ACADEMY

FA 10-17 Title I - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted 1 employee tested had no certification of their level of effort on the Title I grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.” The certification is either a general semi-annual certifications or detailed monthly reports, depending on employees’ job responsibilities.

Questioned Costs: $40,051

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: The school did not maintain back-up documents for this employee. The documents could not be located.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school will insure that the original documents are maintained within the finance department.

FA-10-18 – Stabilization - Reporting

Funding agency: U.S. Department of Education
Title: EMSI Stabilization
CFDA Number: EMSI Stabilization-84.394
Award Year & Number: 2010

Condition: We noted a vendor over $25,000 was not reported on the 1512 reports for Stabilization.

Criteria: The School is required to be in compliance with Federal Award requirements, including the suspension and debarment requirements.
Effect: The School did not report that the vendors that were purchased from through federal programs were not on the list, resulting in a violation of the Federal Award.

Cause: The vendor was notified this spring that they needed to obtain a DUNS number, there was continual follow-up by the Finance Department, including providing the website and instructions to the vendor. The vendor maintained that the DUNS number was applied for, but would not be issued do to a problem that was not under their control.

Auditors’ Recommendation: We recommend that the School follow the compliance requirements under the Federal Programs.

Management’s Response: The vendor finally successfully supplied their DUNS number to us in September; it has been entered into the Certiclear system. Apparently the vendor has had a DUNS number for 30 years, didn't know it and the DUNS organization would not issue a second number to the same organization.

GORDON BERNELL

FA 10-19 EMSI Stabilization – Reporting

Funding agency: U.S. Department of Education
Title: EMSI Stabilization
CFDA Number: EMSI Stabilization CFDA 84.394
Award Year & Number: 2010

Condition: We noted during our Compliance testwork for Reporting, that expenditures reported on 3/11/2010 were subsequently reversed out on 5/20/2010. Then the charter school requested reimbursement from the state for the same expenditures for PSCOC. In addition, the charter school was not reporting to PED on time.

Criteria: According to the Compliance Supplement and the grant agreement, an annual accountability report is required by the Department of Education from the state Public Education Department. As part of the process, “LEA’s and other sub-recipients must submit dated to the grantee for the grantee’s report.”

Questioned Costs: $40,576

Effect: The School’s ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: A journal entry was not completed to correct the function before the reports were submitted to the state.

Auditor’s Recommendation: We recommend that the school implement controls in order to ensure that all required reports be reviewed and checked for accuracy and proper support.
Management’s Response: Policies were being established/revised by the current Business Manager and a shift in the Business Management area will take place to rectify the situation.

LA ACADemia DE ESPERANZA

FA 10-20 Title I and IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
   Title: Special Education – Grants to States (IDEA, Part B)
   Title I Grants to Local Educational Agencies
CFDA Number: IDEA - 84.027 and 84.391A
   Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 5 of 5 employees tested had no certification of their level of effort on the IDEA grant. 5 of 7 employees tested had no certification of their level of effort on the Title I grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:
   Title I: $ 88,046
   IDEA: $ 271,529

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: We did not realize that IDEA certification sheets were needed. All school personnel will be informed of the grant compliance requirements and controls will be put in place for Time and Effort Certifications.

LA PROMESA

FA 10-21 Child Nutrition Recovery Act Grant- Cash Management

Funding agency: U.S. Department of Education
CFDA Number: Equipment Assistance CDFA 10.582
Award Year & Number: 2010
Condition: During our test work of we noted that the school did not submit timely reimbursement requests. Per the Child Nutrition Recovery Act (ARRA) grant award letter, the final reimbursement request was to be submitted by November 27, 2009. We noted that the school did not request the final funds until December 30, 2009.

Criteria: Per NMAC 6.20.2.23 ‘For grant money that is sent direct, school districts shall utilize the funding for the purpose in which it was awarded. School districts shall submit complete and accurate reports required by the grant within the prescribed time.’

Effect: School is not in compliance with grant requirements and could risk the loss of these funds.

Cause: The invoice from the vendor was received late.

Auditor’s Recommendation: We recommend that all grant stipulations be reviewed regularly to make sure school is in compliance with all grant requirements.

Management’s Response: The school worked with PED in regard to this grant. The final invoice for wiring necessary for operation of the equipment was not received at the school until the December so the reimbursement request was not submitted until all payments to the vendors were complete.

FA 10-22 Child Nutrition Recovery Act Grant – Period of Availability

Funding agency: U.S. Department of Education
CFDA Number: Equipment Assistance CDFA 10.582
Award Year & Number: 2010

Condition: During our tests of the Child Nutrition Recovery Act Grant we noted that the grant had expenditures outside of the period of availability for the federal funds. We noted that $12,389 of expenditures were incurred in October 2009 and noted that the period of availability ended September 30, 2009. This amount was billed to the Federal Agency and subsequently paid by the Federal agency.

Criteria: Per 2 CFR Section 215.28, Period of Availability of Funds, “Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.”

Questioned Costs: $12,389

Effect: The School over-billed the Federal granting agency.

Cause: Shipment of purchased caused the expenditures to be out of the period of availability.
Auditor’s Recommendation: We recommend that the School ensure that the review process is operating as designed, and consider additional procedures that would prevent charges outside the funding period from being charged to the grant.

Management’s Response: The equipment purchased with these grant funds was ordered but there was a several week delay in shipment. Management worked with PED in regard to the time line of expenditures and received verbal approval to process expenditures after the 9/30/09 deadline.

LA RESOLANA LEADERSHIP ACADEMY

FA 10-23 Title I and IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
   Title I Grants to Local Educational Agencies
CFDA Number: IDEA - 84.027 and 84.391A
   Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant. 1 out of 1 employee tested had no certification of their level of effort on the Title I grant.
Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:
   Title I: $10,132
   IDEA: $10,393

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school attempted to comply with all aspects of the reporting requirements. The information received from the district only indicated the Title I grant required the certification. The certification was completed for Title I but not IDEA-B. The school will complete the certification however, it should be noted that all costs were in complete compliance with the grant.
**Auditor’s Response:** Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

**FA 10-24 Title I/Title V – Reporting/Allowability – Supporting documentation for Annual Report**

**Funding agency:** U.S. Department of Education  
**Title:** Title I Grants to Local Educational Agencies  
Charter Schools Title V, Part B  
**CFDA Number:** Title I- 84.010  
Title V-84.282  
**Award Year & Number:** 2010

**Condition:** We noted during our testwork that there were expenditures for Title I and Federal Planning funds that were reported in prior years that were voided out in the current year due to stale dated items. The cash balances are considered payable to the government at year-end.

**Criteria:** According to the Compliance Supplement and the grant agreement, an annual accountability report is required by the Department of Education from the state Public Education Department. As part of the process, “LEA’s and other sub-recipients must submit dated to the grantee for the grantee’s report.”

**Questioned Costs:**
- Title I: $2,175
- Title V: $2,395

**Effect:** The Schools ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

**Cause:** Stale dated checks were voided in the current year.

**Auditor’s Recommendation:** We recommend the school implement policies to ensure that all federal funds received as a reimbursement for expenditures are paid to the vendor or are returned to the government if the expenditures become stale dated.

**Management’s Response:** We disagree. Legal counsel from the district has previously informed district personnel that voided checks remain the liability of the school. The vendor provided the product or service and is entitled to payment. The school attempted to contact the vendor and will continue to determine the proper course of action. However, the vendor may still request payment. The school will work with the program manager to determine the proper action.
Auditor’s Response: When the school voided these checks, a liability was not set up to pay the “vendor”. The school posted the voided checks as revenue.

FA 10-25 Title I– Cash Management

Funding agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: Title I- 84.389A
Award Year & Number: 2010

Condition: We noted the school requested $49 more than was expended for the cost reimbursement Title I grant award.

Criteria: According to Part 3 of the A-133 Compliance Supplement, “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” Per OMB Circular A-110, .21 Subpart C- Post-Award Requirements, “Recipients’ financial management systems shall provide for the following:

- Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section .52
- Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- Effective control over and accountability for all funds, property and other assets.
- Comparison of outlays with budget amounts for each award.
- Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.”

Questioned Costs: $49

Effect: The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: This school failed to properly review reimbursement requests and verify that expenditures agreed to the reimbursement amount being requested.

Auditor’s Recommendation: We recommend the school implement policies to ensure that all reimbursement requests are reviewed for accuracy, to verify that expenditures are properly reported, and to ensure that expenditures occurred prior to request for reimbursement.
LOS PUENTES CHARTER SCHOOL

FA 10-26  Title I and IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
Title I Grants to Local Educational Agencies
CFDA Number:  IDEA - 84.027 and 84.391A
Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 3 of 3 employees tested had no certification of their level of effort on the IDEA grant. We also noted that on 1 of 3 employees tested for Title I, the level of effort did not include the school improvement stimulus fund.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:
IDEA:  $144,068
Title I School Improvement Stimulus: $40,000

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school was unaware of the reporting requirements. The school has already begun to implement procedures to correct the problem for FY2011.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough
Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

**MONTESSORI ELEMENTARY**

**FA 10-27 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort**

*Funding agency*: U.S. Department of Education  
*Title*: Special Education – Grants to States (IDEA, Part B)  
*CFDA Number*: IDEA - 84.027 and 84.391A  
*Award Year & Number*: 2010

*Condition*: During our testing of payroll for single audit we noted, all employees tested had no certification of their level of effort on the IDEA grant.

*Criteria*: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.” The certification is either a general semi-annual certifications or detailed monthly reports, depending on employees’ job responsibilities.

*Questioned Costs*: $67,331

*Effect*: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

*Cause*: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

*Auditor’s Recommendation*: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

*Management’s Response*: Management will implement a procedure to monitor time and effort for all employees paid by Federal Funds.

**FA 10-28 Title IIa – Reporting**

*Funding agency*: U.S. Department of Education  
*Title*: Grant to Local Educational Agencies, Recovery Act  
*CFDA Number*: Title IIa -84.367A  
*Award Year & Number*: 2010

*Condition*: We noted during our testwork, that the financial expenditures were not properly coded to the correct fund even though the school had already received the funds from the reimbursement request. We noted that expenditures submitted to PED in the reports were incorrectly reported.
Criteria: According to the Compliance Supplement and the grant agreement, an annual accountability report is required by the Department of Education from the state Public Education Department. As part of the process, “LEA’s and other sub-recipients must submit dated to the grantee for the grantee’s report.”

Questioned Costs: $8,497

Effect: The Schools ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: The school did not properly reclass expenditures to correct fund.

Auditor’s Recommendation: We recommend that the school implement controls in order to ensure that all required reports be reviewed and checked for accuracy and proper support.

Management’s Response: Management will insure that expenditures are posted to the correct fund.

FA 10-29 IDEA-B – Allowability

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, we noted two journal entries amounting to $28,000 charged to the program relating to salaries of two employees without supporting documentations. We could not trace the specific expenditures to the actual payroll registers for the items reclassed.

Criteria: OMB Circular A-133 Compliance Supplement, Allowable Costs Requirements (4-84.000-8) states that for school districts and charter schools, the written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments.

Questioned Costs: $28,000

Effect: The amount of salaries charged to the program lacking supporting documentation may be disallowed under the federal program

Cause: The school re-classed expenditures to agree to the budgeted amount.

Auditor’s Recommendation: We recommend that the School ensure that all journal entries as well as charges to federal program are properly supported by documentations to ensure
compliance with the federal program. In addition, the review process of journal entries needs to be improved to enhance overall internal control structure.

Management’s Response: Management did review the JE’s with our principal and Finance committee Chair. Supporting documentation was available. We used the actual Budget report to capture the expenditures need to move from operational to IDEA B.

Auditor’s Response: We reviewed the approved journal entry from the client, however we were unable to trace the total re-class amount to the payroll registers for specific employees that would be allowable per the grant requirements.

MONTESSORI OF THE RIO GRANDE

FA 10-30 IDEA-B - Reporting

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.391A
Award Year & Number: 2010

Condition: During our testing of reporting for single audit we noted, three (3) of four (4) IDEA, Part B ARRA fund quarterly reports were not submitted.

Criteria: Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009).

Effect: The charter school is not in compliance with grant reporting requirements and ARRA funding transparency into the use of those funds.

Cause: School personnel missed the quarterly reporting deadlines.

Auditor’s Recommendation: We recommend that the charter school review the reporting requirements of the grant and ARRA funding transparency into the use of those funds to ensure timely and proper reporting of each quarter.

Management’s Response: Montessori of the Rio Grande (MRG) did not meet its reporting requirements due to several factors. The first quarter was not reported on time because the previous Business Manager was unable to get the budget approved for the fund during the first quarter. The second quarter was not reported on time because, even though the budget had been approved for the fund during this quarter, sadly during this time period the previous Business Manager passed away, and MRG was without a Business Manager for two (2) months. The third quarter was not reported on time because when the new Business & Finance Director did begin, there were many issues that had to be addressed after two (2) months without business management, and those issues consumed the third quarter of this fiscal year. By the time of the fourth quarter, the new Business & Finance Director was aware that previous quarters had not been properly reported. As such the Business & Finance Director reported all hours worked during the first, second and third quarters along with those worked in the fourth quarter. So while MRG acknowledges that it did not meet is
quarterly reporting requirements for the first three (3) out of the four (4) quarters, we would emphasize that we did meet our reporting requirement for the fiscal year.

**FA 10-31 IDEA-B – Allowable Costs**

**Funding agency:** U.S. Department of Education  
**Title:** Special Education – Grants to States (IDEA, Part B)  
**CFDA Number:** IDEA - 84.027  
**Award Year & Number:** 2010

*Condition:* During our testing of general disbursements for single audit we noted one (1) transaction, in the amount of $3,136, out of five (5) totaling $34,190, in which one (1) of two (2) vendors tested was overpaid by the amount of $400. The sum of the invoices detail total of $2,736 was not in agreement with the invoices stated amount of $3,136.

*Criteria:* OMB Circular A-133 Compliance Supplement, Allowable Costs Requirements (4-84,000-8) states that for school districts and charter schools, the written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments.

*Questioned Costs:* $400

*Effect:* The program is not in compliance with grant allowable cost requirements and expenditures have the potential to be misstated.

*Cause:* This transaction involved eight (8) invoices, and on one (1) of the invoices, the contractor invoice erroneously re-added the subtotal to the total, causing an invoice that should have been for $428 to be $828. The invoice was not properly reviewed and the error went unnoticed.

*Auditor’s Recommendation:* We recommend that the charter school exercise proper stewardship over its disbursement process, which includes, but is not limited to, recalculating all vendor invoices to ensure clerical accuracy prior to payment. In addition we recommend that the charter school seek a refund from the contractor in the amount of $400.

*Management’s Response:* Montessori of the Rio Grande (MRG) recognizes the importance of being in compliance with the allowable costs requirements for Federal programs. This transaction took place under the previous Business Manager’s administration, and the new Business & Finance Director is aware of the allowable costs requirements. The new Business & Finance Director scrutinizes all invoices to ensure they are clerically accurate prior to payment.

MRG has since taken corrective action with respect to the transaction in question. MRG contacted the contractor, and both parties reviewed the transaction and agreed that it was a clerical error. The contractor refunded the amount of $400 to MRG on August 25, 2010 and
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

MRG will submit a Budget Adjustment Request for this refund of prior year expenditures in September 2010 so that these funds can be properly expended in fiscal year 2011.

MOUNTAIN MAHOGANY

FA 10-32 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort
Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted 2 employees tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $57,673

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: In the future the school will complete time Employee Time and Effort Certifications for all employees paid under the IDEA-B Grant.

NATIVE AMERICAN COMMUNITY ACADEMY

FA 10-33 – Stabilization -Cash Management/Reporting

Funding agency: U.S. Department of Education
Title: EMSI Stabilization
CFDA Number: EMSI Stabilization-84.394
Award Year & Number: 2010

Condition: We noted that the school had $87 more in revenue at year-end then expenditures.

Criteria: According to Part 3 of the A-133 Compliance Supplement, “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” Per OMB Circular A-110, _21
Subpart C- Post-Award Requirements, “Recipients’ financial management systems shall provide for the following:

- Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section_.52
- Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- Effective control over and accountability for all funds, property and other assets.
- Comparison of outlays with budget amounts for each award.
- Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.”

**Questioned Costs: $87**

**Effect:** The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

**Cause:** This was due to the school receiving the first payment of ARRA funds before expenditures were posted to the general ledger.

**Auditor’s Recommendation:** We recommend the school implement policies to ensure that all reimbursement requests have the correct expenses in the correct funds.

**Management’s Response:** This was the result of actual employee benefits being less than originally anticipated. Therefore, the benefit costs were $87.00 less than originally budgeted.

**FA 10-34 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort**

**Funding agency:** U.S. Department of Education

**Title:** Special Education – Grants to States (IDEA, Part B)

**CFDA Number:** IDEA - 84.027 and 84.391A

**Award Year & Number:** 2010

**Condition:** During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant.

**Criteria:** According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

**Questioned Costs: $35,000**
Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: NACA will put processes in place to ensure that Time and Effort certifications are retained for all grants requiring them. This information was retained for Title I.

FA 10-35 - Teacher Principal Training - Cash Management

Funding agency: U.S. Department of Education
Title: Improving Teacher Quality State Grants
CFDA Number: Title II A- 84.367
Award Year & Number: 2010

Condition: During our audit, we noted federal reimbursement requests for fund 24154, Teacher/Principal Training, were not being completed in a timely manner. MA noted a reimbursement request for fiscal year 2010 in the amount of $9,342, had not been submitted as of October 5, 2010.

Criteria: Office Per OMB Circular A-110, _21, Subpart C- Post-Award Requirements, recipients should have effective control over and accountability for all funds, procedures in place to minimize the time elapsing between the transfer of funds to the recipient, and procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

Effect: This could result in the school not being reimbursed for their expenditures and possibly lead to less federal funding in the future.

Cause: School failed to timely request reimbursements for grants.

Auditor’s Recommendation: We recommend that the school perform reconciliations to verify balances are accurate and to ensure that reimbursement request have been submitted in a timely manner.

Management’s Response: NACA began a reimbursement request through OBMS, however, wasn’t able to process. When contacting appropriate staff, school was informed that these funds would be provided directly to the school based on STARS reporting. In reviewing the previous year’s records, these funds did not require an RFR.
FA 10-36  Title I and IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
Title I Grants to Local Educational Agencies
CFDA Number: IDEA - 84.027 and 84.391A
Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant. 2 out of 2 employee tested had no certification of their level of effort on the Title I grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs:

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<tr>
<td>Title I</td>
<td>$ 62,644</td>
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<td>IDEA</td>
<td>$ 26,722</td>
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Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management Response: The administration was not aware of the requirement of time and effort for all of these staff. When attending training from the district on the use of federal funds was advised that time and effort was not required for staff that did not split time between federal fund duties and operational fund duties. (i.e.-performed the same job for both fund codes). The required staff members are now tracking time and effort for all federal funds.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.
PUBLIC ACADEMY FOR PERFORMING ARTS

**FA 10-37  IDEA-B - Allowable Costs – Documentation of Employee Time and Effort**

**Funding agency:** U.S. Department of Education  
**Title:** Special Education – Grants to States (IDEA, Part B)  
**CFDA Number:** IDEA - 84.027 and 84.391A  
**Award Year & Number:** 2010  

*Condition:* During our testing of payroll for single audit we noted, 2 of 2 employees tested had no certification of their level of effort on the IDEA grant.

*Criteria:* According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

*Questioned Costs:* $78,189

*Effect:* The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

*Cause:* School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications

*Auditor’s Recommendation:* We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

*Management’s Response:* This is a new finding we were unaware of. We will correct this for the 2010-2011 fiscal year.

**FA 10-38 – Stabilization - Cash Management/Reporting**

**Funding agency:** U.S. Department of Education  
**Title:** EMSI Stablization  
**CFDA Number:** EMSI Stablization-84.394  
**Award Year & Number:** 2010  

*Condition:* We noted that the school did not properly reconcile the Stabilization fund cash balance. We noted the school had excess cash at year-end of $4,520.

*Criteria:* According to Part 3 of the A-133 Compliance Supplement, “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” Per OMB Circular A-110, _21 Subpart C- Post-Award Requirements, “Recipients’ financial management systems shall provide for the following:
Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section .52

Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

Effective control over and accountability for all funds, property and other assets.

Comparison of outlays with budget amounts for each award.

Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.

Accounting records including cost accounting records that are supported by source documentation.”

**Questioned Costs:** $4,520

**Effect:** The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

**Cause:** The PED provided the school the first payment without expenditures reported.

**Auditor’s Recommendation:** We recommend the school implement policies to ensure that all reimbursement requests have the correct expenses in the correct funds.

**Management’s Response:** PED overpaid PAPA. As verified by the auditors, we did not request the additional $4520 given to PAPA through wire transfers. The last payment of $7747.49 was not received until July 2010. We would not have known we were overpaid until payment was received after year end. In the future we will notify PED via email of pending payment due to our school.

**RALPH J BUNCHE ACADEMY**

**FA 10-39**  
**Title I and IDEA-B - Allowable Costs – Documentation of Employee Time and Effort**

**Funding agency:** U.S. Department of Education  
**Title:** Special Education – Grants to States (IDEA, Part B)  
**Title I Grants to Local Educational Agencies**

**CFDA Number:**  
IDEA B- 84.027 and 84.391A  
Title I- 84.010 and 84.389A

**Award Year & Number:** 2010

**Condition:** During our testing of payroll for single audit we noted, 2 of 2 employees tested had no certification of their level of effort on the IDEA B grant. For 1 of 1 employee tested,
the percentage of time charged per the employee’s Level of Effort certification did not agree to the actual costs being charged to the Title I grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employer or supervisory official having firsthand knowledge of the work performed be the employee.” The certification is either a general semi-annual certifications or detailed monthly reports, depending on employees’ job responsibilities.

Questioned Costs:

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<tr>
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</tr>
<tr>
<td>IDEA B</td>
<td>$20,029</td>
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Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained and that the actual costs charged to the program correspond with the time and effort certification.

Management’s Response: The school was unaware of the requirements for Time and Effort Certification. The certification has been implemented. It should be noted that all expenditures complied with the grants’ requirements.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements. We agree that moving expenditures from one grant to another is considered allowable however Time and Effort certifications must be complete for all employees being paid with federal funds.

ROBERT F. KENNEDY

FA 10-40 Title I - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: Title I- 84.010 and 84.389A
Award Year & Number: 2010

Condition: During our testing of payroll for single audit we noted, 3 of 4 employees tested had no certification of their level of effort on the Title I grant.
Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $8,100

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: The school was unaware that they needed certifications for stipends paid to employees.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school was unaware that this was a requirement for the short summer session in question. Employees had signed contracts on file, and prior approval of the use of funds was obtained from APS Title I departments. All Time and Effort certifications will be obtained in the future.

FA-10-41 – Title I/IDEA B/Stabilization - Reporting

Funding agency: U.S. Department of Education
    Title: Title I Grants to Local Educational Agencies
        Special Education – Grants to States (IDEA, Part B)
        State Fiscal Stabilization Fund – Education State Grants (Education Stabilization Fund)
    CFDA Number: Title I- 84.389A
        IDEA - 84.391A
        Education Stabilization Fund - 84.394
    Award Year & Number: 2010

Condition: We noted one vendor over $25,000 was not reported on the 1512 reports for Title I School Improvement. We noted one vendor over $25,000 was not reported on the 1512 reports for IDEA-B. We noted three vendors over $25,000 were not reported on the 1512 reports for Stabilization.

Criteria: The School is required to be in compliance with Federal Award requirements, including the suspension and debarment requirements.

Effect: The School did not report that the vendors that were purchased from through federal programs were not on the list, resulting in a violation of the Federal Award.

Cause: The amounts over $25,000 were not reported on the Certiclear reports.

Auditors’ Recommendation: We recommend that the School follow the compliance requirements under the Federal Programs.
Management’s Response: The school will follow all compliance requirements in the future.

FA 10-42 Stabilization – Allowable Costs

Funding agency: U.S. Department of Education
Title: State Fiscal Stabilization Fund – Education State Grants (Education Stabilization Fund)
CFDA Number: Education Stabilization Fund - 84.394
Award Year & Number: 2010

Condition: During our testing of general disbursements for single audit we noted the following:
- one transaction where we could not recalculate gross pay paid to a contractor. We noted that the contract rate on the contract ($60/hour) was less than the amount paid and the amount approved on the purchase order ($65). We noted that the PO date was before the date of the contract. We also could not verify the total tax paid to the vendor.

Criteria: OMB Circular A-133 Compliance Supplement, Allowable Costs Requirements (4-84.000-8) states that for school districts and charter schools, the written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments.

Questioned Costs: $32,937

Effect: The program is not in compliance with grant allowable cost requirements and expenditures have the potential to be misstated.

Cause: Per the school the rate on the contract was an error. The P.O. amount should have been correct.

Auditor’s Recommendation: We recommend that the charter school exercise proper stewardship over its disbursement process, which includes, but is not limited to, recalculating all vendor invoices to ensure clerical accuracy prior to payment and that they agree to the amount per the contract.

Management’s Response: The contractor was paid the rate stated on the purchase order generated. The discrepancy was from the Professional Services Agreement used primarily to identify scope of project. In the future, the school will ensure that all documentation is in agreement.
FA 10-43 – Stabilization/Title I-Cash Management

Funding agency: U.S. Department of Education
   Title:   Title I Grants to Local Educational Agencies
  EMSI Stabilization
CFDA Number: Title I – 84.010 and 84.389A
   EMSI Stabilization-84.394
Award Year & Number:  2010

Condition: We noted that the school did not properly reconcile the Stabilization fund cash balance. We noted the school had excess revenues at year-end of $2,600. We also noted that the reimbursement request for fund 24162 was $10 higher than the general ledger.

Criteria: According to Part 3 of the A-133 Compliance Supplement, “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.” Per OMB Circular A-110, _21 Subpart C- Post-Award Requirements, “Recipients’ financial management systems shall provide for the following:
   • Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Section_.52
   • Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
   • Effective control over and accountability for all funds, property and other assets.
   • Comparison of outlays with budget amounts for each award.
   • Procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.
   • Accounting records including cost accounting records that are supported by source documentation.”

Questioned Costs:
   EMSI Stabilization:          $2,600
   Title I School Improvement: $10

Effect: The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: Expenditures reported did not agree to the revenue received for the year due to an early payment from PED.

Auditor’s Recommendation: We recommend the school implement policies to ensure that all reimbursement requests have the correct expenses in the correct funds.
Management’s Response: The stabilization fund had an initial disbursement in July for 1/12 of the estimated amount. Subsequently the State PED shifted to a reimbursement basis with the school submitting monthly reports. Monthly reports were submitted accurately, but the PED did not adjust its reimbursements for the initial disbursement. School staff feels this was an error on the PED’s part.

SOUTH VALLEY ACADEMY

FA 10-44 USDA Child Nutrition Recovery Act Grant – Allowable Costs

Funding agency: U.S. Department of Education
Title: Equipment Assistance Program
CFDA Number: 10.582
Award Year & Number: 2010

Condition: During our testing we noted that there were items purchased for the school cafeteria that were not over the $5,000 requirement. We noted that only $37,654 of the total grant award of $47,001 was capitalized.

Criteria: 7 CFR 3016.3 and Office of Management and Budget Circular A-87 define equipment for the purpose of NSLP equipment assistance grants as articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition cost of $5,000.

Questioned Costs: $9,347

Effect: The program is not in compliance with grant allowable cost requirements and expenditures have the potential to be misstated.

Cause: School purchased all items for cafeteria use however; some of these items needed were below the capitalization requirement for the school

Auditor’s Recommendation: We recommend that the charter school review requirements for allowable use of funds for all grants and create policies and procedures to ensure that only items purchased with funds are allowable.

Management’s Response: All expenditures made were for the equipment and/or set up of the cafeteria equipment. With our current policy, we only capitalize items over 5,000 therefore we will implement a policy similar to APS which would require us to capitalize items over $1,000 if paid with federal funding.

THE BATAAN MILITARY ACADEMY

FA 10-45 IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number:  2010

Condition: During our testing of payroll for single audit we noted 1 employee tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $10,443.91

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: The school was not aware that IDEA-B required the time and effort certification. The certification will be implemented immediately. The employee paid by the fund was used in compliance with the grant requirements.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

FA 10-46 IDEA B/EMSI Stabilization –Internal Controls

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
EMSI Stabilization
CFDA Number:  IDEA - 84.027
EMSI Stabilization – 84.394
Award Year & Number:  2010

Condition: During our single audit testwork MA noted the following:
  • During our review of controls regarding the IDEA B Fund we could not agree gross pay paid to the contract amount for one employee tested
  • During our review of controls regarding the IDEA B Fund we were unable to obtain supporting documentation for a cost transfer in the amount of $2,310, therefore we
could not verify if the expenditure was properly approved, was coded to the correct account, or if the amount paid was correct.

- During our review of controls regarding the EMSI Fund we were unable to obtain supporting documentation in the amount of $28,985 for a cost transfer therefore we could not verify if the expenditure was properly approved, was coded to the correct account, or if the amount paid was correct.

**Criteria:** Per OMB Circular A-133, “The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs), as found in §____.105 of OMB Circular A-133, are as follows:

1. Transactions are properly recorded and accounted for to:
   - Permit the preparation of reliable financial statements and Federal reports;
   - Maintain accountability over assets; and
   - Demonstrate compliance with laws, regulations, and other compliance requirements;

2. Transactions are executed in compliance with:
   - Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
   - Any other laws and regulations that are identified in the compliance supplements

**Questioned Costs:**

- IDEA B - $2,310
- EMSI - $28,895

**Effect:** The Schools ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

**Cause:** School personnel are not aware of grant compliance requirements and do not have adequate controls in place.

**Auditor’s Recommendation:** We recommend that the school implement procedures to ensure that the school has controls in place to ensure compliance with federal regulations.

**Management’s Response:** Procedures have been implemented to maintain compliance with all requirements of the ARRA funds. Because of the continually changing rules being sent by the NM PED, the school requested advice from the NM PED. Expenditures initially classified as operational expenditures were reviewed and reclassified into the appropriate ARRA funds. The NM PED School Budget and Finance Analysis Bureau indicated that this was allowable if the expenditures met the requirements of the grants. The Bureau indicated school districts across the state were also doing the same.

**Auditor’s Response:** Documentation was not provided to determine whether the funds are considered allowable. We recommend that all documentation is kept for all journal entries made and all salaries paid to employees.
THE LEARNING COMMUNITY CHARTER SCHOOL

FA 10-47  IDEA-B - Allowable Costs – Documentation of Employee Time and Effort

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
CFDA Number: IDEA - 84.027 and 84.391A
Award Year & Number:  2010

Condition: During our testing of payroll for single audit we noted, 1 of 1 employee tested had no certification of their level of effort on the IDEA grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: $61,040

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: School personnel are not aware of grant compliance requirements and do not have controls in place for Time and Effort Certifications.

Auditor’s Recommendation: We recommend that the school develop follow-up procedures to ensure Time and Effort certifications are retained.

Management’s Response: Management was not aware of this requirement, but will ensure compliance by working PED on the necessary forms to be completed. Staff will be trained with regards to this matter.

Auditor’s Response: Per discussion with the District, the only federal training performed by the District is Title I training and both forms (monthly and semi-annual) are discussed. In addition, the District communicates that even though their training is specific for Title I, that these forms apply to all federal funds. Moss Adams also noted that the spring workshop held by PED for the last two years has presented the workshop book titled Flowthrough Procedures Manual. The book contains sample Time and Effort forms that can be used to meet the federal requirements.

FA 10-48 State Fiscal Stabilization Fund – Allowability

Funding agency: U.S. Department of Education
Title: State Fiscal Stabilization Fund – Education State Grants (Education Stabilization Fund)
CFDA Number: Education Stabilization Fund - 84.394
Award Year & Number: 2010

Condition: During our review of controls regarding the Education Stabilization Fund we noted that the school does not have appropriate controls in place over its federal funds. During our internal control test work we noted the following:

- Two out of two employees did not have contracts supporting the pay rate and hours authorized for time worked after the employees initial contract ended
- Timecards for two out of two employees tested were approved before hours were actually worked
- Noted that total amount of tax withholdings was not properly calculated.

Criteria: Per OMB Circular A-133, “The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs), as found in §____.105 of OMB Circular A-133, are as follows:

(1) Transactions are properly recorded and accounted for to:
   (i) Permit the preparation of reliable financial statements and Federal reports;
   (ii) Maintain accountability over assets; and
   (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;

(2) Transactions are executed in compliance with:
   (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
   (ii) Any other laws and regulations that are identified in the compliance supplements

Questioned Costs: Unknown

Effect: The School’s ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: School personnel are not aware of grant compliance requirements and do not have adequate controls in place.

Auditor’s Recommendation: We recommend that the school implement procedures to ensure that the school has controls in place to ensure compliance with federal regulations.

Management’s Response: Management will have procedures to ensure compliance in these respective areas. Management did produce the documents to the auditor indicating what was being paid, work being performed, days and hours worked. This is work after original contract was completed, and not related to the teaching duties. Management set a lump sum amount for this work, as indicated in HB-212 the salary amount can be set by the administrator. The taxes were taken out per the W-4.
Auditor’s Response: We agree that documentation provided indicated the approval of hours work and the duties performed, however documentation was not provided indicating the approved lump sum amount noted above for work related to non-teaching duties. We could not agree the hourly rate paid to supporting documentation. Based on timesheets provided, we noted that the approval dates by the principal for time worked was before the dates that work had been completed. Finally, we noted that on one paycheck tested, there were no state withholdings calculated. The W-4 noted above is only for federal withholdings.
# Section VII - Prior Year Audit Findings

## Albuquerque Public Schools

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<th>Date</th>
<th>Finding Description</th>
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<tbody>
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<td>06-14</td>
<td>FS Capital Assets Recognition</td>
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<td>07-06</td>
<td>FS Board of Education Reimbursement</td>
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<td>08-04</td>
<td>FS Budgetary Condition</td>
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<td>FS Activity Funds</td>
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<td>FS Internal Control over Purchasing Card</td>
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<td>FS Internal Control over Disbursement- Double Payment</td>
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<td>09-03</td>
<td>FS Disposition of Property</td>
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<td>09-04</td>
<td>FS IT Security of Password Policy and Regular Review of Network Security</td>
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<td>FA Title I and Title Ha - Allowable Costs – Time and Effort</td>
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<td>08-01</td>
<td>FA Carl Perkins Special Tests/ Reporting - Support</td>
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<td>FA Carl Perkins - Equipment - Physical Inventory and Deletions</td>
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<td>FA IDEA-B – Earmarking-Voluntary Early Intervention Expenditures Not tracked</td>
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<td>Internal Controls over Journal Entries</td>
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<td>08-16</td>
<td>Budgetary Conditions</td>
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<td>09-05</td>
<td>ERB and RHC Reports and Contributions</td>
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## Academia de Lengua y Cultura

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<td>ERA and RHC Contributions</td>
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### Albuquerque Talent & Development Secondary Charter School

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STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

09-231 Disbursements-Lack of Authorization Cleared
09-232 Inadequate Segregation of Duties in Cash Disbursement Process Cleared
09-233 Internal Control Structure Repeated
09-234 Administrator Contracts Cleared
09-235 Payroll Contracts Cleared
09-236 Inadequate Segregation of Duties in Payroll Process Cleared
09-237 Internal Controls over Non-Standard Journal Entries Cleared
09-238 Fixed Asset Inventory Cleared
09-239 Bank Reconciliations Cleared
09-240 Procurement Code Cleared
09-241 120 Day Counts Cleared

Alice King Community School
06-148 Internal Controls over Journal Entries Cleared
07-145 Cash Receipts Repeated
09-145 Disbursements Cleared
09-146 Check Issued Cleared
09-147 IRS and CRS Payments Cleared

Amy Biehl High School
07-05 Disbursements Cleared
08-30 Budgetary Conditions Repeated
08-32 PNM Award Repeated
08-33 Inadequate Segregation of Duties in the Receipting Process Cleared
09-20 Check Issued Cleared
09-21 Cash Receipts Cleared
09-22 Credit Card Penalties Cleared

Amy Biehl Charter High School Foundation
09-23 Fees/Finance Charges on Credit Card Cleared

Career Academic & Technical Academy
08-40 Internal Control over Non-Standard Journal Entries Cleared
04-44 Travel and Per Diem Cleared
09-24 Bank Reconciliations Cleared
09-25 Budgetary Conditions Cleared
09-26 Budget Adjustment Requests (BARS) Repeated
09-27 941 Payments Cleared
09-28 Segregation of Duties-Disbursements Cleared
09-29 Procurement Code Cleared
09-30 Timely Deposits/Receipts Cleared
09-31 PED Cash Reports/Budget Reports Cleared
09-32 RHC/ERB Contributions Repeated
STATE OF NEW MEXICO  
ALBUQUERQUE PUBLIC SCHOOLS  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

09-33 Lack of Signatory Authority on Payroll Registers  
09-34 941/ERB Difference with General Ledger

Cesar Chavez Community School
09-35 RHC & ERB Contributions  
09-36 Bank Reconciliations  
09-37 Checks Issued  

Christine Duncan
07-35 ERA and RHC Contributions  
07-38 Internal Controls over Non-Standard Journal Entries  
07-40 Personnel Files  
07-43 Gross Pay Does Not Agree to. Contract Amount  
07-46 Budget Adjustment Request (BAR)  
07-50 Internal Control Structure  
08-49 Cash Disbursements  
08-51 Bank Reconciliations  
08-52 Anti-Donations  
09-38 Inadequate Segregation of Duties in the Receipting Process

Corrales International
09-69 Cash Receipts  
09-70 Purchase Orders  
09-71 Lack of Authority Signatory on Payroll Registers  
09-72 Checks Issued  
09-73 Vendor Prepayment  
09-74 Board Members  
09-75 Internal Control Structure  
09-76 Administrator Contracts  
09-77 Personnel Files  
09-78 Contracts  
09-79 Procurement Code  
09-80 PED Reports  
09-81 ERB Contributions  
09-82 Budgetary Conditions  
09-83 BAR  
09-84 Bank Reconciliations  
09-85 Journal Entries

09-35 RHC & ERB Contributions  
09-36 Bank Reconciliations  
09-37 Checks Issued  
07-35 ERA and RHC Contributions  
07-38 Internal Controls over Non-Standard Journal Entries  
07-40 Personnel Files  
07-43 Gross Pay Does Not Agree to. Contract Amount  
07-46 Budget Adjustment Request (BAR)  
07-50 Internal Control Structure  
08-49 Cash Disbursements  
08-51 Bank Reconciliations  
08-52 Anti-Donations  
09-38 Inadequate Segregation of Duties in the Receipting Process

09-69 Cash Receipts  
09-70 Purchase Orders  
09-71 Lack of Authority Signatory on Payroll Registers  
09-72 Checks Issued  
09-73 Vendor Prepayment  
09-74 Board Members  
09-75 Internal Control Structure  
09-76 Administrator Contracts  
09-77 Personnel Files  
09-78 Contracts  
09-79 Procurement Code  
09-80 PED Reports  
09-81 ERB Contributions  
09-82 Budgetary Conditions  
09-83 BAR  
09-84 Bank Reconciliations  
09-85 Journal Entries
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Creative Education Preparatory Institute #1
06-59 PED Reports Transferred to PED
08-54 Bank Reconciliations Transferred to PED
09-43 Cell Phone Transferred to PED
09-44 Checks Issued Transferred to PED
09-45 Cash Disbursements Transferred to PED
09-46 Credit Card Penalties Transferred to PED
09-47 Contract Doesn’t Match Pay Rate Transferred to PED
09-48 Procurement Code Transferred to PED
09-49 RHC Contributions Transferred to PED
09-50 Compensated Absences Transferred to PED
09-51 Internal Controls Over Journal Entries Transferred to PED

Digital Arts & Technology Academy
09-61 Cash Receipts Cleared
09-62 Difference with General Ledger and RHC,ERB and 941 Contributions Cleared
09-63 RHC Contributions/Reports Cleared
09-64 PED Cash Reports/Budget Reports Cleared
09-65 Journal Entries Cleared
09-66 Untimely Federal Reimbursement Repeated

East Mountain High School
09-67 Audit Adjustment Request (BAR) Cleared

East Mountain High School Foundation
No Prior Year Findings

El Camino Real Academy
09-68 Procurement Code Cleared
09-03 FA Federal Suspension and Debarment Cleared

Gordon Bernell Charter School
08-66 Cash Receipts Cleared
08-67 Budget Adjustment Requests (BAR) Repeated
08-68 RHC Contributions Repeated
08-69 PED Reports Repeated
08-71 Internal Controls over Non-Standard Journal Entries Repeated
08-72 Internal Control Structure Repeated
09-148 Cash Disbursements Cleared
09-149 Checks Issued Cleared
09-150 Inadequate Segregation of Duties in the Receipting Process Cleared
09-151 Budgetary Conditions Repeated
09-152 Stale Dated Checks Repeated
09-153 State Auditor Capitalization Policy Repeated
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**Gilbert L. Sena High School (Formerly Creative Education Preparatory Institute #2)**

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<td>RHC Contributions</td>
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<td>941 Reports</td>
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<td>Dispositions of Fixed Assets</td>
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**La Academia de Esperanza**

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## La Promesa Early Learning Center

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## La Resolana

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## Los Puentes

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## Montessori Elementary Charter School

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<tr>
<td>09-122</td>
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STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

09-123  941 Reports  Cleared

Montessori of the Rio Grande
09-124  Timely Deposits  Cleared
09-125  Disbursements  Cleared
09-126  Budget Adjustment Requests (BAR)  Cleared
09-127  Internal Control Structure  Cleared
09-128  Budgetary Conditions  Cleared
09-129  Fixed Asset Inventory Count  Cleared
09-130  Compensated Absences  Cleared
09-131  Bank Reconciliations  Cleared

Mountain Mahogany
07-131  941 and RHC Contributions  Cleared
09-132  Purchase Orders  Cleared
09-133  Internal Control Structure  Repeated
09-134  Cash Disbursements  Cleared
09-135  PNM Award  Cleared
09-136  Budgetary Conditions  Repeated

Native American Community Academy
07-134  ERA Contributions  Repeated
07-135  Timely Deposits  Cleared
07-139  PED Reports  Cleared
07-140  Stale Dated Checks  Repeated
07-141  Budgetary Conditions  Repeated
07-142  RHC Reports and Contributions  Repeated
08-97  Inadequate Segregation of Duties in Receipting Process  Repeated
08-99  Checks Issued  Cleared
08-103  Difference with General Ledger  Repeated
08-105  Internal Controls over Journal Entries  Cleared
08-106  Budget Adjustment Requests (BAR)  Repeated
09-137  Travel & Per Diem  Cleared
09-138  Purchase Orders  Repeated
09-139  Payroll – Lack of Supporting Documentation  Cleared
09-140  Procurement Code  Repeated
09-141  Fixed Asset Inventory  Cleared
09-142  Policies and Procedures  Cleared
09-143  Bank Reconciliations  Cleared
09-144  Late Payments  Repeated

Nuestros Valores
06-153  Internal Controls over Journal Entries  Cleared
07-161  ERB and RHC Contributions  Cleared
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**Public Academy for Performing Arts**

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<td>08-122</td>
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<td>08-128</td>
<td>Budget Adjustment Requests (BAR)</td>
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<td>Payroll Lack of Supporting Documentation</td>
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<td>09-160</td>
<td>Purchase Orders</td>
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<td>Travel &amp; Per Diem</td>
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<td>09-162</td>
<td>Background Checks</td>
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**Ralph J. Bunche Academy**

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<td>Lack of Authority Signatory on Payroll Register</td>
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<td>Inadequate Segregation of Duties in Receipting</td>
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<td>ERB, 941 and RHC Contributions</td>
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<td>Pre-numbered Receipts</td>
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<td>08-136</td>
<td>Budgetary Conditions</td>
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<td>Timely Deposits</td>
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<td>08-138</td>
<td>Payroll Disbursements - Signature Authority</td>
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<td>09-163</td>
<td>Minutes</td>
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<td>09-164</td>
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<td>Gross Pay Does not Agree to Contract Amount</td>
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<td>Compensated Absences</td>
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<td>Bank Reconciliations</td>
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<td>09-169</td>
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<td>Disbursements-Signature Authority</td>
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<td>PED Cash Reports/Budget Reports</td>
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<td>09-174</td>
<td>Contracts</td>
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STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

09-175  Fixed Asset Inventory Count  Cleared

Robert F. Kennedy
06-178  Budgetary Conditions  Repeated
09-176  Pre-Numbered Receipts  Repeated

School for Integrated Academics & Technology Academy
09-177  Disbursement  Cleared

South Valley Academy
07-176  Bank Reconciliations  Cleared
08-143  Procurement Code  Cleared
08-144  Journal Entries  Cleared
08-145  PED Reports  Cleared
09-178  Purchase Orders  Cleared
09-179  40 Day Counts  Cleared
09-180  ERA and RHC Contributions  Cleared
09-181  Disposition of Fixed Assets  Cleared
09-182  Budget Adjustment Requests (BAR)  Repeated
09-183  Internal Control Structure  Repeated

South Valley Academy Foundation
08-148  Inadequate Segregation of Duties in the Receipting and Disbursement Process  Repeated

Southwest Intermediate Learning Center (formerly La Luz del Monte Learning Center)
No Prior Year Findings

Southwest Primary Learning Center
09-184  Internal Control Structure  Cleared
09-185  Disbursement  Cleared
09-186  Procurement Code  Cleared

Southwest Secondary Learning Center
09-187  Pre-Numbered Receipts not Present  Cleared
09-188  Travel & Per Diem  Cleared
09-189  Procurement Code  Repeated
09-190  Disbursement  Cleared
09-191  Cell Phones  Cleared

The Bataan Military Academy
07-183  Disbursement - Lack of Authorization  Cleared
07-184  Cash Receipts - Inadequate Documentation  Cleared
08-152  Budgetary Conditions  Repeated
### STATE OF NEW MEXICO
### ALBUQUERQUE PUBLIC SCHOOLS
### STATUS OF PRIOR YEAR FINDINGS
### FOR THE YEAR ENDED JUNE 30, 2010

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
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<tr>
<td>08-155</td>
<td>Fixed Asset Inventory Count</td>
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<td>08-156</td>
<td>Policies and Procedures</td>
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<td>08-157</td>
<td>Gross pay does not Agree to Contract Amount</td>
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<td>08-158</td>
<td>Lack of Signatory Authority on Payroll Registers</td>
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<td>08-159</td>
<td>Inadequate Segregation of Duties in Receipting Process</td>
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<td>08-160</td>
<td>Payroll - Lack of Supporting Documentation</td>
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<td>09-192</td>
<td>Procurement Code</td>
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<td>RHC/ERB Contributions</td>
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<td>09-197</td>
<td>ERB/941 Difference with General Ledger</td>
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<td>PED reports</td>
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<td>Stale Dated Transactions</td>
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**The Learning Community Charter School**

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<td>Bank Reconciliations</td>
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<td>09-201</td>
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<td>09-202</td>
<td>Cash Receipts</td>
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<td>09-203</td>
<td>Internal Control Structure</td>
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<td>09-204</td>
<td>RHC, 941 &amp; ERB Contributions</td>
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<td>09-205</td>
<td>Difference with General Ledger and ERB Contributions</td>
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**The Learning Community Charter School Foundation**

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<td>09-210</td>
<td>No Accounting Records</td>
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<td>Inadequate Segregation of Duties in the Receipting and Disbursements Processes</td>
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**Albuquerque Public Schools Foundation**

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<td>09-242</td>
<td>Reconciliation of Bank and Investment Accounts</td>
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<td>09-243</td>
<td>Cash Receipt and Deposit Controls</td>
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<td>Disbursement Controls</td>
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<td>09-245</td>
<td>Journal Entry Controls</td>
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Section VIII – Other Disclosures

Exit Conference
The contents of this report were discussed November 10, 2010. The following individuals were in attendance.

Albuquerque Public Schools
Winston Brooks, Superintendent
Don Moya, Chief Financial Officer
Tami Coleman, Executive Director of Accounting
Irene Johnson, Operational Fund Controller
Alfred Sanchez, Director of Grant Management
Brad Winter, Chief Operations Officer
Martin Esquivel, Board President
Paula Maes, Board Vice President
David Peercy, Board Member
David Robbins, Chairperson, Board Member
Robert Lucero, Board Member
Lorenzo L. Garcia, Board Member
Brenda Yager, Director of Board Services
Jeannie Chavez, Executive Administrative Assistant
Demesia Padilla, Public Member
Wayne Brown, Partner, Moss Adams LLP
Amy Carter, Senior Manager, Moss Adams LLP
Jason Galloway, Manager, Moss Adams LLP

In addition, the contents of each individual Charter School reports were discussed on various date between October 13, 2010 and November 11th, with the representatives of the schools. The following individuals were in attendance.

21st Century
Ken Johansen, Contract Accountant/Audit Committee
Kathryn E. Krivitzky, Business Manager
Donna Eldredge Principal
Theresa L Royce Rodgers, Governing Council
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
Academia de Lengua Y Cultura
Ruby Chavez, Business Manager
Teresa Sierra, Board Member
Linda Corona, Principal
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Academy of Trades & Technology
Judy Bergs, APS
Henry Lackey, Governing Board President/Audit Committee
Alfred Martinez, Business Manager
Wayne Gordon, Principal
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Albuquerque Institute for Math & Science
Steve Turpin, Business Manager
Kathy Sandoval, Director
Bobby Cordova, Assistant Principal
Joseph White, Governing Council Member
Alan Clawson, Governing Council Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Albuquerque Talent Development Secondary Charter School
Tiffany Roth, Office manager
Jolene Jaramillo, Business Manager
Rommie Compher, Principal
Judy Bergs, APS
Maureen Senetra, Governing Council Member/Audit Committee
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Alice King Community School
Marcos Martinez, Governing Council Treasurer/Audit Committee
Shelly Cherrin, Principal
Rhonda Cordova, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Amy Biehl Charter High School
Betty Seeley, Finance Director
Michael May, Executive Director
Clifford A. Wintrode, Governing Council Treasurer/Audit Committee
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
Career Academic & Technical Academy
Glee Hare, Principal
Carmen Rodriguez, Business Manager
Judy Bergs, APS
Theresa DiMatteo-Brown, Governing Council Secretary
Debra Curry, Governing Council Member President
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Christine Duncan Heritage Academy
Ruben A. Guajardo III, President of Governing Council/Audit Committee
Jesus A. Moncada, Principal
Yolanda Sanchez, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Corrales International Charter School
Emily Williams, Business Manager
Martin Mathisen, Audit Committee
Dr. Nora Scherzinger, Governing Council Member
Elsy Diaz, Head Admin
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Digital Arts and Technology Academy
Michael Vigil, Business Manager
Evelyn Hunemuller, COO
Lynnette Quintana, Assistant Business Manager
Judy Bergs, APS
Al Sanchez, Governing Council Member/Audit Committee
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

East Mountain High School
Dennis Hodges, Governing Council Member/Audit Committee
Kay Girdner, Business Manager
Judy Bergs, APS
Doug Wine, Principal
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

East Mountain High School Foundation
Lisa Quick, Accountant/Foundation representative
Jaime Rumbaa, Moss Adams LLP, Assurance Services Manager
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2010

El Camino Real Academy
Jim Nessle, Board Member
Mary Scofield, Business Manager
Judy Bergs, APS
Pamela Engstrom, Principal
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Gordon Bernal Charter School
Greta Roskom, Principal
Jolene Jaramillo, Business Manager
Kelly Callahan, Governing Council Member – Audit Committee
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

La Academia de Esperanza
Richard Malcom, Board Member
Jama Sullivan, Business Manager
Julie Crespy
Judy Bergs, APS
Steve Wood, Principal
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

La Promesa
Ralph Sigala, Board Member
Roberta Marquez, Board Member
Analee Maestas, Director
Christine Lopez, Principal
Stan Albrycht, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

La Resolana Leadership Academy
Judy Bergs, APS
Justina Montoya, Principal
Stacey Lagunas, Assistant Business Manager-Coalition
Mike Vigil, Assistant Business Manager-Coalition
Chris Montano, Board Member/Audit Committee
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Los Puentes Charter School
Pat Kelly, Business Manager
Ellen Moore, Principal
Joan Staveley, Board Member – Audit Committee
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
STATE OF NEW MEXICO
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FOR THE YEAR ENDED JUNE 30, 2010

Montessori Elementary Charter School
Spencer Visconti, Board Member/Audit Committee
Mary Jane Besante, Principal
Stan Albricht, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Montessori of the Rio Grande
Bonnie Dodge, Principal
Chris Parrino, Business Manager
Judy Bergs, APS
Mike Youngmen-Governing Council Member
Nancy Lopez-Audit Committee Member
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Mountain Mahogany Charter School
Deneen Blair, Administrator
Diane Miles, Business Manager
Delcie Dobrovolny, Governing Council President/Audit Committee
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Native American Community Academy
Kara Bobroff, Principal
Elizabeth McMinn, Director of Finance and Business Manager
Michael Canfield, Governing Council President/Audit Committee
Rebekah Tarin, Assistant Business Manager
Betty Seeley
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Nuestros Valores Charter School
Judy Bergs, APS
Lawrence Chavez, Audit Committee
Monica Aguilar, Principal
Al Valdez, Business Manager
Michelle Hughes, Business manager
Karen Turrietta, Governing Board Member
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
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FOR THE YEAR ENDED JUNE 30, 2010

Public Academy for Performing Arts (PAPA)
Randy Costales, Governing Council President/Audit Committee
Rhonda Cordova, Business Manager
Dareen A. Whinn, Principal
Judy Berge, APS
Daphne Benairdes, Administrative Intern
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Ralph J. Bunche Academy
Ken Carson Jr. Governing Council member
Bob Friesen, Audit Committee
Judy Berge, APS
Stacey Lagunas, Assistant Business Manager-Coalition
Mike Vigil, Assistant Business Manager-Coalition
Penny Wilson, Principal
Judy Berge, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Robert F. Kennedy
Judy Berge, APS
Julie Crespy, Business Manager
Robert Baede, Director
Gina Sharpe, Accounting Clerk
Charlotte Ortega, Business Manager
Lisa Thomas, Governing Council Chair
Cynthia O’Neill, Governing Council Member
Amy Carter, Moss Adams LLP, Assurance Services Senior Manager

School for Integrated Academics and Technologies
Judy Berge, APS
Erik Bose, Principal
Kelly Callahan, Head Administrator
Jacob Kennedy, Board Member
Curt Szarek, SIA Tech Business Manager
Jennifer Hall, Audit Committee
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

South Valley Academy and Foundation
Juan Abeyta, Governing Council Member/Audit Committee
Carmen Rodriguez, Business Manager
Katarina Sandoval, Principal
Judy Berge, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2010

Southwest Intermediate Learning Center (formerly La Luz del Monte Learning Center)
Rick Harbaugh, Audit Committee
Cheryle Harbaugh, Board Member
Scott Glasrud, Administrator
Araceli Sosa, Business Manager
Amy Carter, Moss Adams LLP, Senior Manager

Southwest Primary Learning Center
Kenneth Chapmen, Board Member – Audit Committee
Rick Harbaugh, Audit Committee
Scott Glasrud, Administrator
Araceli Sosa, Business Manager
Amy Carter, Moss Adams LLP, Senior Manager

Southwest Secondary Learning Center
Rick Harbaugh, Audit Committee
Scott Glasrud, Administrator
Joe Provonzie, Board Member
Araceli Sosa, Business Manager
Amy Carter, Moss Adams LLP, Senior Manager

The Bataan Military Academy
Judy Bergs, APS
Mike Vigil, Assistant Business Manager-Coalition
Stacey Lagunas, Assistant Business Manager-Coalition
Cynthia Adair, Audit Committee
Joan Podborny, Principal
Regina Minor, Governing Council/Finance Committee
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

The Learning Community Charter School and Foundation
Carmen J. Pennington, Board President/Audit Committee
Viola Martinez, Principal
George Perea, Business Manager
Kenneth Lairsey, Dean of Students
Judy Bergs, APS
Ken Johansen, CPA, Consultant
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
STATE OF NEW MEXICO
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EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2010

Albuquerque Public Schools Foundation

Phill Casaus, Executive Director
Cathy Cavin, Specialist
Bruce McClure, Director
Craig Yoshimoto, Treasurer
Amy Carter, Moss Adams LLP, Senior Manager