

**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 accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Albuquerque Municipal School District No. 12, New Mexico (District) as of and for the year ended June 30, 2006, which, collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated October 19, 2007. We have also audited the budgetary comparisons and financial statements for each of the District's nonmajor governmental and fiduciary funds as supplementary information as of and for the year ended June 30, 2006. Our report was modified to include an emphasis of a matter addressing certain prior period restatements to correct errors as discussed in Note 21 in the financial statements. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we also noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FS 06-02, FS 06-03, FS 06-06, FS 06-07, FS 06-08, FS 06-09, FS 06-10, FS 06-12, FS 06-13, FS 06-15, FS 06-18, FS 06-19, FS 06-20, FS 06-21, FS06-22, FS 06-23, FS 06-24, FS 06-25, FS 06-26, FS 06-27, FS 06-28, FS 06-30, FS 06-31, FS 06-32, FS 06-33, FS 06-34, FS 06-35, FS 06-37, FS 06-38, FS 06-39, FS 06-40, FS 06-41, FS 06-42, FS 06-43, FS 06-44, FS 06-45, FS 06-47, FS 06-48, FS 06-49, FS 06-52, FS 06-54, FS 06-55, FS 06-56, FS 06-57, FS 06-59, FS 06-61, FS 06-62, FS 06-63, FS 06-64, FS 06-65, FS 06-66, FS 06-67, FS 06-68, FS 06-69, FS 06-70, FS 06-71, FS 06-73, FS 06-74, FS 06-75, FS 06-76, FS 06-77, FS 06-80, FS 06-82, FS 06-83, FS 06-84, FS 06-85, FS 06-86, FS 06-88, FS 06-89, FS 06-90, FS 06-93, FS 06-94, FS 06-97, FS 06- 98, FS 06-100, FS 06-101, FS 06-102, FS 06-105, FS 06-106, FS 06-107, FS 06-108, FS 06-109, FS 06-110, FS 06-111, FS 06-115, FS 06-116, FS 06-118, FS 06-119, FS 06-120, FS 06-121, FS 06-122, FS 06-123, FS 06-124, FS 06-125, FS 06-126, FS 06-127, FS 06-128, FS 06-129, FS 06-130, FS 06-131, FS 06-132, FS 06-133, FS 06-134, FS 06-135, FS 06-136, FS 06-137, FS 06-138, FS 06-139, FS 06-141, FS 06-142, FS 06-143, FS 06-145, FS 06-147, FS 06-148, FS 06-149, FS 06-150, FS 6-151, FS 06-152, FS 06-153, FS 06-154, FS

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06-155, FS 06-156, FS 06-157, FS 06-158, FS 06-159, FS 06-160, FS 06-161, FS 06-162, FS 06-163, FS 06-164, FS 06-165, FS 06-166, FS 06-167, FS 06-168, FS 06-169, FS 06-170, FS 06-172, FS 06-173, FS 06-174, FS 06-175, FS 06-177, FS 06-178, FS 06-179, FS 06-180, FS 06-181, FS 06-182, FS 06-183, FS 06-184, FS 06-185, FS 06-187, FS 06-188 and FS 06-189.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions and, accordingly, would not necessarily describe all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item FS 06-1, FS 06-11 and FS 06-14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 non-compliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items FS 06-04, FS 06-05, FS 06-16, FS 06-17, FS 06-29, FS 06-36, FS 06-46, FS 06-51, FS 06-53, FS 06-58, FS 06-60, FS 06-72, FS 06-78, FS 06-79, FS 06-81, FS 06-87, FS 06-91, FS 06-92, FS 06-95, FS 06-96, FS 06-99, FS 06-103, FS 06-104, FS 06-110, FS 06-112, FS 06-113, FS 06-114, FS 06-117, FS 06-140, FS 06-144, FS 06-146, FS 06-171, FS 06-176, and FS 06-186.

This report is intended solely for the information and use of the Albuquerque Municipal District 12 Board of Education, management, the Department of Finance and Administration, the Legislative Finance Committee, the District, the State Auditor, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
October 19, 2007

Report on Compliance With
Requirements Applicable to Each Major Program
And Internal Control Over Compliance in
Accordance With OMB Circular A-133

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New Mexico State Auditor

We have audited the compliance of Albuquerque Municipal School District No. 12 (District) with the types of compliance requirements described in the *US 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, 2006. The District's major federal programs are identified in the summary of auditors' 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 Not for-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 on the District's compliance with those requirements.

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, 2006. However, the results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as item FA 06-05 and FA 06-07.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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New Mexico State Auditor

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FA 06 01, FA 06-02 FA 06-03 FA 06-04 and FA 06-06

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Albuquerque Municipal District 12 Board of Education, management, the Department of Finance and Administration, the Legislative Finance Committee, the District, the State Auditor, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
October 19, 2007

**STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
SUMMARY OF AUDITORS' RESULTS**

June 30, 2006

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x Yes No
- Reportable condition(s) identified that are not considered to be material weakness(es)? x Yes No

Non-compliance material to financial statements noted?

 x Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes x No
- Reportable condition(s) identified that are not considered to be material weakness(es) x Yes No

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?

 x Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
10.553 *	U.S. Department of Agriculture – National School Breakfast Program
10.555 *	U.S. Department of Agriculture – National School Lunch Program
84.010	U.S. Department of Education – Title I Regular
84.027 **	U.S. Department of Education – Individuals with Disabilities Act (IDEA B)
84.173 **	IDEA – B Preschool
84.367	U.S. Department of Education – Title II A

Dollar threshold used to distinguish between type A and type B programs

\$ 2,364,819

Auditee qualified as low-risk auditee?

 Yes x No

* Department of Agriculture – National School Breakfast and Lunch program cluster.

** Department of Education – Individuals with Disabilities Act Children and Preschool program cluster.

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ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINANCIAL STATEMENT AUDIT FINDINGS

FS 06-01 — Prior Period Restatements

Condition: The District notified the auditors of prior period restatements to beginning net assets. The three largest prior period restatements were 1) estimated insurance claims in the amount of \$15,280,620 previously included in net assets that should have been reported as liabilities, 2) bond proceeds revenue of \$5,125,000 not previously recorded which understated net assets, and 3) maintenance expenditures totaling \$31,790,197 that were improperly capitalized as capital assets thereby overstating net assets. During past years, such capitalized costs included payments relating to maintenance and supplies, as well as other expenditures that should have been expensed.

Criteria: According to Statement No. 10 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, paragraphs 53 through 57, claims liabilities should be recorded as a liability if they had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Also, under accounting principles generally accepted in the United States of America bond proceeds revenue is to be recorded in the period when issued and sold maintenance and supplies expenditures should not be capitalized.

Cause: The District's financial reporting did not insure that internal control deficiencies over financial reporting as defined by Government Auditing Standards chapter 5.13 were prevented by classifying insurance claims as equity and not as a liability. In addition, the District missed recording bond proceeds revenue to the proper period and did not follow existing procedures with respect to capital asset account balance reconciliations.

Effect: The District allowed prior year net assets to be overstated by \$53,247,653.

Auditor's Recommendation: The District should insure compliance with relevant accounting principles to prevent deficiencies in internal controls over reporting of insurance reserve claims liabilities, bond proceeds revenue and classification of non-capital expenditures. In order to insure compliance with such principles, there should be continuing oversight of internal controls over financial reporting, classification of account types, recording of maintenance and expenditure transactions and reconciliation of capital asset accounts.

Management Response: Management agrees with the findings related to each prior period restatement. Beginning on July 1, 2006, the district has set up an Internal Service Fund to properly account for Risk & Health reserves. In addition, there has been a tracking process to insure that all bond proceeds are now being reconciled to insure proper reporting. Also, all capital expenditures are being appropriately identified as well as proper recording of repairs and maintenance and other non-capital items.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FS 06-02 — Cafeteria Internal Controls

Condition: During the 2006 fiscal year, an instance of possible fraud occurred relating to a snack bar at one of the District's high schools. The situation occurred when District personnel noted that the deposit on the bank statements from this particular school were not matching the supporting documentation that the school was providing. Upon further investigation, it was revealed that internal controls were not properly in place as the supervisor of the department, who made deposits for the snack bar receipts, was not verifying the amount of funds prior to making the deposit.

Criteria: According to NMSA 1978 Section 6-6-3, the school is expected to conform to the rules and regulations that they have adopted relating to internal controls.

Cause: The District did not implement internal controls over the snack bar deposits to effectively prevent possible fraudulent activity or provide a sufficient audit trail.

Effect: Due to the absence of the internal control which would require the individual making the deposit to verify the funds, the District may have experienced fraudulent activity within the snack bar operations.

Auditor's Recommendation: We recommend that the District implement a policy requiring individuals making deposits verify the amount of said deposits prior to delivery to the bank and indicating the count through a form, initials, or signature. The procedure will not only deter possible fraudulent activity, but will also allow the District to follow an audit trail of responsibility to its employees making deposits and collecting funds on behalf of the District.

Management Response: The District implemented a policy requiring individuals making the deposit to verify amounts by recording the count on a form with initials or signature prior to delivery to the bank.

FS 06-03 — Cash Receipt

Condition: During our audit, we noted 4 of the 25 receipts tested totaling \$7,485 were not deposited within 24 hours of receipt as required by State Statute 6-10-2 NMSA, 1978. In addition, multiple receipts tested did not maintain supporting documentation relating to the general ledger account coding for which the transaction was posted.

Criteria: NMAC 6.20.2.14 states that a School District shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular 102, and applicable state and federal laws and regulations.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FS 06-03 — Cash Receipt (Continued)

Cause: The District did not emphasize the management importance of timely deposits.

Effect: Without adequate document or timely deposits, the school will not have an adequate audit trail.

Auditor's Recommendations: We recommend that the District review cash management procedures with the responsible individuals annually to ensure that each is aware of the requirements so as not to violate State Statute 6-10-2 NMSA, 1978 and NMAC 6.20.2.14.

Management Response: The District has reviewed cash management procedures with the responsible individuals to ensure that each person is aware of the requirements. Management has also set up annual cash handling process reminders to all individuals involved in cash handling.

FS 06-04 Activity Funds

Condition: Several instances were noted during the audit for the year ended June 30, 2006 in which proper accounting and administration of activity funds was not achieved.

- Deposits were not made within 24 hours or one banking day of receipt.
- Appropriate approvals are not being obtained for disbursements.
- Accurate bank or cash reconciliations are not being prepared timely.
- Records are not always being maintained and updated.

Criteria: State Statute 6-10-2 NMSA, 1978 and state regulation 6.20.2.23 (C), NMAC, state that the business office is responsible for maintaining adequate collateral pledged for monies in Activity funds, assisting club sponsors and treasurers in order to assure: timely deposits within 24 hours or one banking day, appropriate approvals are obtained for disbursements, an internal control structure is in place to safeguard the assets and promote reliability of the activity financial reports, accurate bank or cash reconciliation are prepared timely and records are retained for review by business office and auditor. Although APS does have an activity fund policy and procedures manual, the individual schools do not appear to be following the procedures.

Cause: The individual schools within APS are not following the activity fund policies and procedures. The schools were in violation of the APS Activity Fund policies and procedures as well as with State Statute 6-10-2 NMSA, 1978.

Effect: Due to these funds being decentralized, the risk of misappropriation is greater when the policies and procedures are not followed.

Auditor's Recommendation: As a result of activity funds being decentralized, these funds are highly susceptible to misappropriation; therefore, Management should educate the employee's responsible for activity funds regarding the State Statutes and APS Activity Fund policies and procedures, and continue to monitor each site for continuous improvement.

Management Response: The District has reviewed cash management procedures and activity fund accounting to educate employees responsible. District will continue to monitor each site for continuous improvement and has set up annual cash handling process reminders to all individuals involved in cash handling.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FS 06-05 – Personnel Files

Condition: During our test work of payroll, it was noted that 1 out of 40 employees tested did not maintain a W-4 form within their personnel file.

Criteria: State Regulation 6.20.2.18, NMAC states that the District must maintain and have available for inspection all payroll related documentation, including, but not limited W-4 forms.

Cause: Necessary documentation, i.e. W-4 forms, may not be consistently maintained within personnel files at the District.

Effect: The lack of supporting documentation may result in the District incurring additional liabilities, penalties and interest related to payroll taxes not properly processed as a result of insufficient documentation.

Auditors' Recommendation: Management must insure adequate documentation supporting payroll tax withholdings is maintained. This should insure the proper calculation of payroll tax liabilities.

Management Response: The District has instituted a process wherein W-4's are scanned and categorically matched to the payroll subsidiary system. This maintains adequate documentation that supports payroll tax withholdings.

FS 06-06 – Late Payments

Condition: Audit procedures indicated that payments for cash disbursements were not made timely after receipt of invoices. During our audit, it was noted that vendor invoices were consistently being paid well after the due date of the invoice. Upon further review, it appears that the source of the problem for the District has to do with the fact that the District receives invoices for services and goods at multiple locations and therefore, at times, invoices are not forwarded to the Accounts Payable Division of the Finance Department in a timely manner.

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.

Cause: At times, the APS system appears to be cumbersome. Part of the issue may result from invoices being received at multiple sites. Processing creates a lag in the time an invoice is received, processed, and paid.

Effect: APS has lost or may lose the privilege of conducting business with some vendors due to the untimely processing of payments.

Auditor's Recommendation: APS must implement a system which allows invoices to be receipted in a central location. This would allow the Accounts Payable Department to process and pay all invoices within a timely manner.

Management Response: The District will review the possible implementation of a system which would allow invoices to be received in a central location. The Accounts Payable Department is currently updating the policies and procedures which will be effective in the timely payment of vendors, as well as, implementing terms and taking advantage of discounts.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FS 06-07 – Audit Report

Condition: APS submitted the audit report subsequent to the November 15, 2006 deadline required by the State Auditor. The report was submitted to the State Auditor on May 24, 2007.

Criteria: State Audit Rule 2.2.2.9. (A), NMAC state that public schools are required to submit the audit report for the year ended June 30, 2006 on or before November 15, 2006.

Cause: APS was unable to submit the June 30, 2006 audit report on a timely basis. As a result, APS is not in compliance with State of New Mexico requirements.

Effect: The District was not timely in their financial reporting.

Auditor's Recommendation: APS must ensure that all future audit reports are filed in a timely manner. APS should ensure this process is timely in the future through communication with the new state auditor.

Management Response: The size and complexity of the annual audit report continues to grow with the addition of numerous component units that are required to be reported with the Districts results. Finance staff has already begun a planning process for the next audit, and is working with the external auditors to meet all deadlines

FS 06-08 – Purchasing

Condition: During our test work we noted 2 of the 25 items tested totaling \$1,180.69 (\$1,031.69 and 149.00) did not contain applicable supporting documentation, i.e. invoice, purchase order, etc. We also noted one disbursement which was incorrectly coded to the general ledger totaled \$640.50.

Criteria: According to State Audit Rule 2.2.2.10 (G) (1) and 13-1-1 to 13-1-199 NMSA 1978, cash disbursements are required to be supported by adequate documentation, and to be recorded in the correct expenditure account.

Cause: Audit procedures indicate that some checks may have been misfiled, some invoices have been paid without adequate supporting documentation and some expenditures may have been charged to incorrect general ledger accounts.

Effect: These lack of controls and deficiencies in purchasing place APS in noncompliance with the State Audit Rule as well as NMSA 1978. The District has not maintained adequate controls over this transaction cycle.

Auditor's Recommendations: Controls over purchasing should be tightened to ensure compliance with purchasing requirements.

Management Response: General ledger coding is done at the time the requisition is entered and reviewed/approved at the facility level. Additional and/or follow up training will be provided to the facilities during the transition to the new chart of accounts. The District requires supporting documentation prior to disbursements. Additional training will be provided.

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June 30, 2006

FS 06-09 – Unauthorized Purchase Cards Expenditures

Condition: During the 2006 fiscal year, an instance of fraud occurred relating to purchases incurred by a District employee's use of a PCard (District Purchase Card totaling \$889). The situation occurred when a District employee used the PCard for personal expenses, including gas, a cellular phone payment and a printer. Use of the District's PCard for personal purposes is a direct violation of District PCard policies and NMAC 13-1 through 199.

Criteria: NMAC 6-1 through 28 and NMAC 13-1 through 199 and sound business practice indicates that all prepared reports should be properly supported and be reconciled to the general ledger to ensure proper calculation, classification and recording of financial information.

Cause: APS has not sufficiently monitored PCard usage by its employees.

Effect: As a result, the District has experienced isolated fraudulent activity relating to PCard usage by its employees, the District is in noncompliance with NMAC 6-1 through 28 and NMAC 13-1 through 199.

Auditor's Recommendation: APS must sufficiently implement and enforce its policies and procedures surrounding PCard usage by its employees. Sufficient implementation and enforcement of current policies will reduce the risk of possible fraudulent activity and non-compliance with applicable State of New Mexico Statutes.

Management Response: The School District has in place comprehensive procedures governing the management and use of procurement cards. Each individual signs an agreement prior to being issued a card. The usage of the card is reviewed by Internal Audit Department and Independent Auditors to review transactions and compliance. If a card is used inappropriately, action is taken through the District's personnel process. On December 14, 2006 the Chief Business Officer issued additional considerations and guidelines to procurement card holders and, as a follow up, discussed this letter in a general administrator's meeting on January 26, 2007.

Following a disciplinary investigation, the individual involved is no longer an employee of APS. In accordance with the State Auditor's rule, this was reported to the State Auditor by the school district on January 6, 2006.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FS 06-10 — PED Reports

Condition: Audit procedures performed at the school indicated that the June 30, 2006 PED report was not remitted to PED timely.

Criteria: According to Regulation 6.20.2.14 SBE-6, reports submitted to the Public Education Department (PED) must agree to the general ledger. The regulation also requires that the reports be submitted no later than thirty days following the School's fiscal year end.

Cause: When performed properly, PED reports are remitted timely on a cash basis.

The school was behind in closing out certain funds for the fiscal year end records.

Effect: The school remitted the PED report for June 30, 2006 late.

Auditors' Recommendation: School officials must insure that PED reports, as well as the recording of financial activity is processed and performed in compliance with PED requirements.

Management Response: Management will make every effort to ensure that PED reports are filed in a timely manner.

FS 06-11 – Timely Reconciliation of Capital Asset Inventory

Condition: The annual audit for the District was due to the State Auditor's Office by November 15th, 2006. The auditors were not provided with complete and accurate supporting schedules relating to capital assets until January 2007. We were unable to perform test work of capital asset activity in a timely manner.

Criteria: According to 6-15 and 22-24 through 26, NMSA 1978, the District must maintain an inventory of capital assets, which shall be tested at the time of the annual audit.

Cause: The finance department tracks equipment purchases and disposals throughout the year, but waits until after year-end to track current year activity relating to land, buildings, and construction projects as this information must be provided by the facilities department of the District. The District does not have an accurate capital asset inventory listing for 11 of 12 months during the year.

Effect: Capital asset accounts were overstated and require a prior period restatement. Capital assets may be listed that are not in use or present in the District.

Auditors' Recommendations: We recommend that the facilities department track all capital asset activity assigned to the department throughout the year and reconcile the information with the information maintained in the finance department and the Lawson accounting system no less than quarterly. Final annual reports should be available for internal and external audit review no later than 60 days subsequent to the fiscal year end.

Management Response: The District is implementing a form to be used for Capital Asset recognition for construction projects. It will be a multi-part form benefiting the Facilities Department, Budget Department and Capital Asset Accounting. This form will be completed at a regularly scheduled time for each construction project, and completed project status will be reviewed with the finance department on a quarterly basis. Reports will be available within 60 days subsequent to fiscal year end.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FS 06-12 – Overpayment of Compensation

Condition: During audit procedure relating to payroll expenditures, instances were noted in which the District appeared to have compensated employees at rates different than indicated on personnel action forms maintained by the Human Resources Department. Upon further inquiry, District personnel indicated that this practice was an issue during the year and that the District had mistakenly over compensated numerous employees for which the District was in the process of collecting reimbursement. .

Criteria: NMAC 22-8-4 requires the District to maintain and compile accurate information concerning public school finance and administration. As such, the District must compensate employees consistent with employee contracts and/or hourly rates indicated within personnel files.

Cause: The District improperly compensated employees as a result of mistakes made in the human resource department during input of compensation information.

Effect: This resulted in noncompliance with NMAC 22-8-4. The District, according to management, has not been consistent with regards to collecting reimbursement form employees.

Auditor's Recommendation: The District has implemented a policy relating to reimbursement relating to excessive compensation which is documented in the Districts Employee Handbook. We recommend that the District implement policies and procedures to insure it does not excessively compensate employees. In the event that the situation does occur, the District must implement detailed requirements for reimbursement that is enforceable for all cases and is not subjective.

Management Response: The District has implemented a policy regarding reimbursement relating to excessive compensation which is documented in the Districts Employee Handbook. The District has implemented detailed requirements for reimbursement that is enforceable for all cases.

FS 06-13 – Overspending of Budgeted Amounts

Condition: The District maintained expenditure functions in various funds where actual expenditures exceeded budgetary authority. The detail of the funds over expended and the related functions are illustrated in Note 15.

Criteria: Sound financial management and 6-6-6 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the expenditure function is the legal level of control.

Cause: The District did not make the appropriate budgetary transfers to alleviate the over-expenditure.

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

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

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June 30, 2006

FS 06-13 – Overspending of Budgeted Amounts (Continued)

Management Response: Good business practice dictates that budgets be reviewed on a regular and periodic basis by the Chief Business Officer to assure compliance with the budget approved by the Board of Education and the State, to identify any positive and negative fiscal impacts to the budget, and to provide guidance for the effective spending of funds. Final Expenditure Reports made to the Public Education Department must show that the approved budgets are in balance at the fund level and function level. Regular reviews, as part of the budget management process, should identify when expenditures may be forecasted to exceed approved budgets at the fund or function level so necessary budget transfers or adjustments to spending can be made on a timely basis in order to assure compliance with 6.6.6 NMSA. This process was implemented in the 2006-2007 fiscal year.

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.

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.

Cause: The District is extremely active with construction transactions as a result of a growing community and increased student counts. As a result, the District has issued bond 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 insure each asset owned by the District is recorded and recognized on the capital asset listing as required by Generally Accepted Accounting Principals and Governmental Accounting Standards.

Effect: The district is not in compliance with state statute. 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.

Auditor's Recommendation: We recommend that the District implement a system in which 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 principals.

Management Response: The District is implementing a form to be used for Capital Asset recognition for construction projects. It will be a multi-part form benefiting the Facilities Department, Budget Department, and Capital Asset Accounting. This form will be used for all projects closing as of July 1, 2006. This form will contain all information necessary to comply with related accounting principles.

The District is also reviewing its list of open projects and identifying projects for possible closure. Additional staff has been hired to facilitate this process and to implement procedures that will improve tracking, encumbering, and processing documentation relating to construction projects.

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FS 06-15 – Allowable Costs

Condition: During audit procedures, the District notified the auditors that expenditures were processed and charged to the Capital Improvement SB-9 funds which were in noncompliance with State Statutes. Capital Improvements, as defined by NMSA 22.25.2, include expenditures for, "maintenance of public school buildings or public school grounds, including payments under contracts for maintenance support services and expenditures for technical training and certification for maintenance and facilities management personnel, but excluding salary expenses of school district employees." During the 2006 fiscal year, such questioned costs included payments of expenditures relating to garbage contractual services as well as other unallowable expenditures.

Criteria: According to State of New Mexico 22-25, guidelines related to the Capital Improvement SB-9 fund, the funds are required to expend capital improvement funds in compliance with state statutes and guidelines.

Cause: The District failed to ensure the program followed grant provisions with regards to allowable costs and state regulations as defined by NMSA 22.25.2.

Effect: The District is not in compliance with grant and state allowable cost compliance requirements.

Auditor's Recommendation: The District must insure compliance with grant provision and state guidelines with regards to capital improvement expenditures as stipulated in NMSA 22.25.2. In order to insure compliance with these provisions, there should be periodic oversight of expenditures relating to the Capital Improvement SB-9 fund.

Management Response: The use of SB-9 funds for nonstudent based software and garbage collection is not appropriate. The funding of garbage collection was identified and moved in the 2006-2007 year. The software agreements charged to the SB-9 fund in the 2006-2007 year that are not related to students will be reviewed and moved to other appropriate sources of funding, prior to June 30, 2007.

FS 06-16 – Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The District did not keep up to date with new State of New Mexico regulations which required that Business Manager or equivalent obtain a license from the State.

Effect: The District operated without a licensed individual during the 2006 fiscal year and was not in compliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management Response: The District did not have on record a license for the business manager prior to June 30, 2006. The current Business Manager, hired in August 2006, is licensed in accordance with 6.62.12 NMAC. The license is on record with the District.

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FS 06-17 — Pledged Collateral – Cash Equivalents and Deposits

Condition: During the year ended June 30, 2006, the District maintained and utilized repurchase agreements with financial institutions which were not covered by 102% of pledged collateral as required by State of New Mexico Statutes. As of June 30, 2006 the under collateralization at the institutions totaled \$10,002.

Criteria: Repurchase agreements must be covered by 102% of pledged collateral in accordance with NMSA 1978 Section 6-10-8.

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

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.

Auditor's Recommendations: The District must insure all cash balances are collateralized as required by State Statutes.

Management Response: The banks have been made aware of the collateral requirement. As of June 30, 2006 the under collateralization at the institutions totaled \$10,002.

FS 06-18 — Internal Controls – Graphics Department

Condition: It is the District's policy and procedure to obtain approved purchase requisitions and purchase orders before the purchase of goods or services are made and all purchase orders must be approved and signed by appropriate personnel. Internal controls with regards to the Graphic Department do not appear to be in compliance with sound business practices and NMSA 6-3-3.

We observed:

- During our tour of the facilities we noted that the back door of the facility was open and no one was monitoring the back room. Paper and other printing supplies as well as computers could easily be removed from the facility through the open back door.
- We noted that the cash register does not have a dual tape to record all transactions. The only receipt is given to the customer leaving no audit trail of the daily sales.
- We noted that the cash drawer is not balanced out to a specific dollar amount on a daily basis. The cash drawer could start with \$20 one day and \$35 the next day.
- We noted that change was not turned for deposit, the supervisor goes to the bank and exchanges the change for dollars and only turns cash in for deposit in \$5.00 increments.
- We noted that there are no controls over the cash register itself, anyone can get into the cash drawer by pushing a button.

Criteria: According to NMSA 1978 Section 6-6-3, the school is expected to conform to the rules and regulations that they have adopted relating to internal controls.

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FS 06-18 — Internal Controls – Graphics Department (Continued)

Cause: Policies and Procedures that the school has adapted for cash disbursement transactions are not being enforced.

Effect: The lack of enforcing the District's policies and procedures may result in the non-authorized purchase of goods and/or services and may put the District at risk for possible fraudulent activity.

Auditor's Recommendation: The District must enforce policies and procedures that are set in place for the purchase of goods and/or services in the graphics department.

Management Response: In accordance with the rules and regulations outlined in NMSA 1978 Section 6-6-3 relating to internal controls, several policy and procedure changes in the Graphics Department have been implemented:

- The back door to the Graphics facility is now locked at all times unless there is an employee directly monitoring the area.
- A new cash register with dual register tapes is now in use. The second register tape is retained and will be utilized in the daily cash to sales deposit and reconciliation process.
- The cash drawer is balanced out to a specific amount daily. \$50 is maintained in the cash register and \$100 in change is left in a locked safe in the Supervisor's office.
- All cash, regardless of form or denomination, and checks are turned in daily as per NMAC 6.20.2.
- One key for the new cash register is retained by the Supervisor at all times and locked in the safe when she is not present; the other key is retained by the cashier on duty. Each cashier has a separate log-in code in order to operate the register.

FS 06-19 — Segregation of Duties – Graphics Department

Condition: The District has allowed the graphic department to create its own invoices and process payments. During audit procedures, it was noted that excessive amounts of checks taken from customers are postdated and /or predated. As a result, it was noted that neither the graphic department nor the district could have an accurate idea about the gross profit or loss that the graphic department generates.

Criteria: Segregation of duties relating to the graphic department is required to maintain a proper and sufficient internal control process that reduces the risk of fraudulent activity.

Cause: The District did not maintain proper segregation of duties within the graphics department.

Effect: Lack of proper segregation of duties in this area increases the likeliness of errors and the risk for fraud.

Auditor's Recommendation: We recommend that the school develop a formal process over the graphics department to insure proper segregation of duties in process invoices and payment schedules between the district and the graphic department to ensure proper gross profit or loss that the department acquires.

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FS 06-19 — Segregation of Duties – Graphics Department (Continued)

Management Response: The District will develop a formal process over the Graphics Department to insure proper segregation of duties. The Graphics Department will produce and mail all invoices to vendors with directions to send payment to the Accounts Receivable department at APS, who will then process the payments. In addition, staff training will be held on a continuing basis to insure that each check received will be reviewed for pertinent information prior to acceptance. No postdated or predated checks will be accepted.

FS 06-20 — Reconciliations– Graphics Department

Condition: During our tour and interviewing of the graphics department, it appeared that there is no reconciliation of the departments' bank account or of the departments' daily cash sales.

Criteria: Per NMAC 6.10, all bank accounts shall be reconciled on and available for inspection. Also, according to District policy, reconciled bank statements are to be reviewed by the finance department. The bank statement, deposit slips, and canceled checks shall be made available to the District's auditor during the annual audit.

Cause: The cause is that the Graphic Department did not reconcile, on a daily basis, with a dual receipt per the cash register.

Effect: The cash reconciliation for the department's cash, could not be reconciled.

Auditor's Recommendation: We recommend that the Graphic Department purchase a cash register that has a dual tape to indicate how much monies are being received on a daily basis along with developing a spreadsheet for each day that indicates the P.O.'s and monies that were received on a daily basis as supporting document for reconciliation.

Management Response: The District has purchased a new cash register with dual register tapes which is now in use. After Department personnel are trained on the new reconciliation process, daily sales will be reconciled to the cash register receipts by utilizing the Department's new daily deposit form. The daily receipts will be reconciled to the second cash register receipt by the Department bookkeeper on the daily deposit form. The daily deposit form will be turned in, along with all cash, checks, requisitions and purchase orders to the Department bookkeeper and will form the basis of the daily deposit.

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June 30, 2006

FS 06-21 – Encumbrances

Condition: During audit procedures, it was disclosed to the auditors that the District has not and does not completely utilize encumbrances relating to its financial transactions. It was disclosed that the facilities department as well as other departments within the District have not utilized encumbrances as required by governmental accounting principles.

Criteria: Governmental Accounting and Financial Reporting Principles require the utilization of encumbrances when accounting for governmental activities. Encumbrances should be recorded for budgetary control purposes and to facilitate effective cash and planning control.

Cause: The District has implemented the use of encumbrances in the majority of its operations; however, key departments are not utilizing this accounting method.

Effect: The District is in noncompliance with state statutes and governmental accounting principles. Additionally, the District has not maintained proper budgetary control of its governmental funds.

Auditors' Recommendation: The District must utilize encumbrance and budgetary controls procedures throughout the organization in order to insure compliance with necessary regulatory requirements.

Management Response: The District is implementing procedures in the Facilities, Design & Construction Department that will require every contract to be encumbered in full with purchase orders created and posted in the Lawson accounting system. The department will utilize this encumbrance process to facilitate budgetary control across all funds used.

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June 30, 2006

FS 06-22 Allowable Costs – HB-33

Condition: Management of the District notified the auditors that it has charged salaries, supplies and other expenditures which were determined to be unallowable or without adequate supporting documentation under HB-33. The costs charged to the HB 33 fund relate to expenditures initially recorded within the Capital and Facilities and the Maintenance departments of the District.

Criteria: House Bill 33 (HB-33) indicated that funds may be utilized for “1) erecting, remodeling making additions to, providing equipment for or furnishing public school buildings; 2) purchasing or improving schools grounds.”

Cause: The District received a legal opinion which indicated that certain expenditures, properly documented, may be charged to the fund. Since that time, the amount of administrative and overhead expenditures charged to the HB-33 fund has increased.

Effect: The District charged unallowable or inadequately supported expenditures to the HB-33 fund in the net amount of \$292,781

Auditors' Recommendations: The District should implement policies and procedures to ensure that all future costs expended to HB-33 funds are allowable and properly supported.

Management's Response: Management agrees with the finding related to the charging of \$292,781 in unallowable or inadequately supported expenditures to the HB33 fund. To correct these errors, the District has recorded a liability from the General Fund to the HB33 fund in this amount for the 2005-2006 Fiscal Year.

The District found the errors during a review of this fund prompted by Management concerns communicated during the audit process. The \$292,781 represents less than 1% of the total expenditures of approximately \$51 million in the HB33 fund. The District has implemented an Internal Service Fund specifically for the administrative and overhead expenses related to the capital improvement program to improve the cost capturing and containment of these expenses. This new fund was created as of July 1, 2007, and will allow the District to properly track and allocate the costs to locations benefiting from these services, and will produce better reporting and more effective cost and budgetary control.

Management also states that the percentage of increases for administrative and overhead expenditures to the HB33 fund have been much lower than the percentage of overall increases in funding for the Capital funds. The Internal Service Fund will contribute to our efforts in keeping these costs as low as possible.

The District will implement additional policies and procedures as necessary to help ensure that these errors are not repeated in the future.

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FS 06-23 — Lack of Controls Over Government Wide Financial Reporting

Condition: The District notified the auditors of prior period error related to unrecorded property taxes receivable on the government wide financial statements. During 2005 such property taxes receivable should have been recorded as receivables on the government wide financial statements included payments relating to maintenance and supplies, as well as other expenditures that should have been expensed.

Criteria: Under accounting principles generally accepted in the United States of America property taxes receivable is to be recorded on the government wide financial statements under full accrual accounting in the period an enforceable legal claim to the taxes arises.

Cause: The District's financial reporting did not insure that internal control deficiencies over financial reporting as defined by Government Auditing Standards chapter 5.13 were prevented by missed recording property taxes revenue to the proper period.

Effect: The District allowed prior year net assets to be understated by \$7,141,764

Auditor's Recommendation: The District should insure compliance with relevant accounting principles to prevent deficiencies in internal controls over reporting. In order to insure compliance with such principles, there should be continuing oversight of internal controls over financial reporting.

Management Response: Management agrees with the findings related to each prior period restatement. Beginning on July 1, 2006, the District has been a tracking process to insure that all bond proceeds are now being reconciled to insure proper reporting.

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21st Century

FS 06-23 Cash not Reconciled

Condition: During fieldwork we noted that bank reconciliations were not performed correctly and did not tie to the general ledger.

Criteria: According to 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 of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This condition was caused by management's unfamiliarity with the new accounting software and an undue reliance on the systems bank reconciliation function.

Effect: The School did not properly "maintain" control over cash accounts lack of timely reconciliations could result in intentional errors left undiscovered.

Auditor's Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis and to insure that all general ledger accounts are being reconciled.

Management's Response: The manager has contracted with the software representative for training to ensure the general ledger and the bank reconciliation accounts match on a monthly basis.

FS 06-24 Budget Adjustment Requests

Condition: During our test work, it was noted that the school does not enter any of the BAR's into APTA, nor are these tracked in any other type of spreadsheet. There were two BAR's during the fiscal year totaling \$13,743.

Criteria: 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.

Cause: The school did not follow budgetary policies and procedures.

Effect: The effect of not properly recording any BAR's, especially if there is a decrease in a budgeted line item is that it can cause the school to over spend in that line item.

Auditor's Recommendation: School needs to ensure that all BAR's are tracked and that the budget reflects any BAR's that are issued on a monthly basis to ensure that the school is within operating budget at all times.

Management's Response: In the past, management kept a file with BARS in the financial office, due to the small number. In the future management will create a spreadsheet to keep record of BARS, and enter said BARS into the budget on APTA fund in a timely manner.

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CURRENT YEAR AUDIT RECOMMENDATIONS

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21st Century (Continued)

FS 06-25 Difference with General Ledger and 941, PERA/(ERA) and RHC

Condition: PERA (ERA), 941 and RHC reports did not reconcile to the general ledger for the year ended June 30, 2006.

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.

Cause: The school is not periodically reconciling to the general ledger to what is being reported on the 941, PERA (ERA) and RHC Contributions.

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

Auditor's Recommendation: The school must reconcile the general ledger to the 941, PERA (ERA) and RHC contributions to ensure the correct contributions are being submitted.

Management's Response: Management has asked the advice of the person who handles the retirement and insurance to develop a spreadsheet along with the spreadsheet for ERB to assist in the tracking of the ERB and NMRHC for the 2006-2007 through the use of a prepared template. This system will be in place for 2006-2007.

FS 06-26 Budgetary Conditions

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

General Fund	
Direct Instruction	73,931
Administration	17,070
Operation/Maintenance	51,864
IDEA-B Entitlement	
Direct Instruction	19,539

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 expenditure is the legal level of control.

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

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

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

Management's Response: 21st Century will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

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June 30, 2006

21st Century (Continued)

FS 06-27 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school recently began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in Apta Fund. Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations.

Effect: There could be incorrect or inappropriate journal entries posted to the general ledger.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

FS 06-28 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

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.

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

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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

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June 30, 2006

Academia de Lengua y Cultura

FS 06-29 Pledged Collateral

Condition: Academia de Lengua y Cultura does not have pledged collateral for credit union amounts in excess of \$100,000. In addition, the total amount on deposit exceeded \$100,000.

Criteria: According to the NMSA 1978 Section 6-10-17 Public Money Act, bank accounts above \$100,000 are subject to a 50% collateral requirement. In addition, NMSA 6-10-24 C states that no more than \$100,000 can be deposited in a credit union.

Cause: School personnel did not anticipate receiving as much money as they did at year end.

Effect: The school is not in compliance with the pledged collateral requirement. Additionally, the school has been exposed to potential uninsured losses.

Auditor's Recommendation: The Charter School must notify the credit union that the school receives state funds that are subject to the Public Money Act for amounts above \$100,000 and review the bank's collateralization on the school's accounts. The charter school should also ensure that they have never exceed deposits greater than \$100,000 in a Credit Union.

Management's Response: As of June 30, 2006 the total balance on deposit at the Schools credit union for the account of Academia de Lengua y Cultura, including all sub-accounts, was \$99,415.13. These accounts will be drawn down to a zero balance and no further deposits will be made. The account will be closed prior to the end of the new fiscal year.

FS 06-30 Stale Dated Checks

Condition: During cash test work, we found two checks that were written over a year ago listed as outstanding checks on the bank reconciliation. The School is in violation of state statute regarding stale dated checks. In the operating account, the School has 2 checks at June 30, 2006 that are over one year old. They are written in the amounts of \$200 and \$283.96

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.

Cause: Management has not monitored the outstanding checks.

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

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

Management's Response: The stale dated checks in question, as well as any subsequent outstanding checks dated more than one year previous, have been voided. As a matter in the regular monthly bank account reconciliations, all outstanding items will be reviewed for stale date and will be voided accordingly. This process will be documented in a formal operation procedure to help ensure timely disposition of stale dated checks.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Academia de Lengua y Cultura (Continued)

FS 06-31 BAR Not Requested for Expenditure

Condition: There was no Budget Adjustment Request that was filled out for an increase in expenditures by \$88,890. The monies were paid out of the operations account, but this was not originally budgeted for.

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.

Cause: There was no Budget Adjustment Request, and the operation account suffered a decrease of \$88,890 that was not originally accounted for, the risk of overspending is high.

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

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

Management's Response: No Budget Adjustment Request was submitted because there was no increase in the school's fixed assets. A decision was made by the ALC Governing Council that there were adequate funds available in the operating account to cover the increase in lease payments. However, the full amount of the addendum to the lease agreement was not paid in fiscal 2006. An addendum to each monthly rent invoice for fiscal year 2007 will complete the lease agreement addendum.

FS 06-32 Procurement not Received/Tested on Expenditure

Condition: During our test work, we noted that the purchase of tenant improvements totaling \$88,890 did not go through the appropriate procurement methods that are set forth by the State Purchasing Code.

Criteria: The State Purchasing Code 13-1-169, NMSA 1978 requires that expenditures be approved before they are made.

Cause: The landlord of the building took responsibility of obtaining the contractors and the actual tenant improvements. The School did not follow up to ensure that the proper procurement methods had been followed, since the tenant improvements were going to be officially paid by the School.

Effect: The School was not in compliance with the State Auditor and State Procurement Code and may have paid more than necessary for the project

Auditor's Recommendation: We recommend that all purchases that exceed the procurement amount (\$20,000/services and \$30,000/goods) that the School will be utilizing public monies for follow the procurement guidelines that are set by the State.

Management's Response: This finding is misleading to the extend that the school did not purchase an elevator for the building it occupies. The expenditure approved by the school's Governing Council went to the "purchase" of construction services via reimbursement to the landlord for costs incurred to modify building to allow the school to occupy and use the second floor of the building. This does not imply that appropriate/required procurement methods were not followed as set forth by the State Purchasing Code. As stated in Management's Response to a prior related finding, existed procurement policies/procedures will be expanded as necessary; communicated to appropriate staff; and adhered to.

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Academia de Lengua y Cultura (Continued)

FS 06-33 Cash Not Reconciled

Condition: During fieldwork we noted that the bank reconciliations were not complete as of year-end.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This was caused by turnover in business management near the end of the year.

Effect: The School did not properly "maintain" control over cash accounts lack of timely reconciliations could result in intentional errors left undiscovered.

Auditor's Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis.

Management's Response: The Business Manager is responsible for all bank account reconciliations. These reconciliations will be completed by the 15th of each month, according to existing internal controls. The completed reconciliations will be reviewed and approved with the Principal.

FS 06-34 Employee Retirement Board Contributions

Condition: During field work, we noted on ERA that the payments for May and June (\$541.03 and \$528.48, respectively) were not paid until September 2006.

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

Cause: The School failed to make the contributions timely.

Effect: As a result, the School was in violation of ERA requirements and could be subject to penalties.

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

Management's Response: School management will establish and implement the recommended control system, to include regular follow-up, that will insure that all routine reports/contributions are processed, filed, and paid in a timely manner.

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June 30, 2006

Academia de Lengua y Cultura (Continued)

FS 06-35 Internal Controls over Non-Standard Journal Entries

Condition: During our testing of journal entries, we noted that there journal entries that did not have the required supporting documentation.

Criteria: According to 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.

Cause: The school experienced turnover in business manager.

Effect: There could be incorrect or inappropriate journal entries posted to the general ledger.

Auditor's Recommendation: We recommend that the school update their policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed, approved and supported.

Management's Response: School management will update existing policies/procedures according to the recommendation so as to be in compliance with State Board of Education requirements and sound business practice.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Academia de Lengua y Cultura (Continued)

FS 06-36 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The did not keep up to date with new State of New Mexico regulations which required that Business Manager or equivalent obtain a license from the State.

Effect: The District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: For the period July 1, 2005 through May 15, 2006, ALC employed a licensed Business Manager (CPA). At the time of the audit, the replacement hired for that position was still in the process of obtaining a conditional school business license from the state in accordance with NMAC 6.63.12.8.

FS 06-37 Budgetary Conditions

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

General Fund

Business & Support	7,363
Operation/Maintenance	90,880
Instructional Support	
Food Services	1,005
Federal Stimulus	
Instructional Support	11,945
Administration	15,631

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 expenditure is the legal level of control.

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

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

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

Management's Response: Academia de Lengua y Cultura will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Academia de Lengua y Cultura (Continued)

FS 06-38 Segregation of Duties

Condition: The Business Manager performs all the duties and functions that are required to process payroll without review of another party and also enters new employees into the accounting system.

Criteria: Segregation of duties in payroll and other processes, as indicated in NMAC Section 6.20.2.11, is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities.

Cause: Due to limited resources, the School relies on the expertise of one individual to process the Charter's payroll. Limited resources and the Business Managers expertise in this process appears to result in lack of segregation of duties.

Effect: Without adequate segregation of duties or a formal review process, errors may be made without detection.

Auditor's Recommendation: Develop a formal review process for the payroll transaction cycle. Implement procedures which require that the other individual's to be trained in the payroll process and periodically perform the payroll function. The school should also separate the ability for the same person who enters payroll to also enter new employees into the accounting system.

Management's Response: In order to address the issue of segregation of duties, the following changes have been made. One person will authorize new employees and a different person reviews and approves that the Business Manager entered the payroll information into the system correctly.

FS 06-39 Inadequate Segregation of Duties in the Receipting Process

Condition: The Business Manager's duties include preparing bank reconciliations, depositing receipts into the bank and posting to the general ledger.

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

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

Effect: There is a lack of segregation of duties in 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: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Academia de Lengua y Cultura (Continued)

FS 06-40 Internal Control Structure

Condition: During our Mileage and Per Diem test work we noted there was one instance where the expense was coded incorrectly.

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.

Cause: Management authorized a purchase order which includes the general ledger account number, when the purchase is coded to the wrong account.

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

Auditor's Recommendation: Account coding should be carefully checked against invoice and purchase order.

Management's Response: The School has developed and implemented policies and procedures which ensure proper procuring of goods and services and maintenance of appropriate supporting documentation.

FS 06-41 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: The report sent to PED does not reflect what is in the general ledger. Additionally, appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

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

Management's Response: Management has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Academia de Lengua y Cultura (Continued)

FS 06-42 Failure to Authorize Purchases with Signatory Authority

Condition: During our test work, we noted the school is not authorizing all expenditures. There were 1 out of 10 instances where proper authorization on purchase orders was not received. This was check number 3385 for \$17710.92. There were also 4 out of 10 instances where proper authorization on invoices was not received. These were checks 3664, 3173, 3385, and 3226 (\$22, \$21676.21, \$17710.92, \$17381.11).

Criteria: The State Purchasing Code 13-1-169, NMSA, 1978 requires that expenditures be approved before they are made.

Cause: The school did not obtain proper approval for cash disbursements.

Effect: This could result in excessive payments, incorrect payments, lack of proper audit trail or in the case of grant expenditures, payment of allowable costs which may be unallowable to the grant.

Auditor's Recommendation: Disbursements must contain proper and adequate authorization documentation prior to being processed further. The school must obtain proper approval for purchase orders prior to being processing the cash disbursement further.

Management's Response: The School has developed and implemented policies and procedures which ensure proper procuring of goods and services and maintenance of appropriate supporting documentation.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Amy Biehl Charter High School and Foundation

FS 06-43 Payroll – Lack of Authorization on Pay Rates.

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

- 1 of 5 employee contracts did not have authorization regarding pay.
- 2 of 5 employees did not have an approved (with signature) pay verification form.

Criteria: NMAC 6.20.2.18 requires School to maintain and have available for inspection payroll related documents, such as employment contracts, certification records, personnel/payroll action forms, 1-9's, W4's pay deduction authorizations, pay posting change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Cause: Proper documentation was not properly completed or was misplaced.

Effect: The school was not in compliance with NMAC 6.20.2.18. Additionally, there is exposure to loss and incorrectly stated financial results.

Auditor's Recommendations: We recommend the School follow NMAC 6.20.2.18 to ensure all required payroll related documentation is completed and properly filed.

Management's Response: Amy Biehl High School disputes this finding. The procedural changes made as addressed above were implemented after the 04-05 audit was completed (approximately February 2006). We did not make the change retro-actively, but instead implemented the procedural changes going forward. Therefore, our stand is the 04-05 finding was corrected and should be cleared.

FS 06-44 Timely Deposits

Condition: During our audit test work, we noted one deposit, in the amount of \$74.00 that was not made until several days after the money was received.

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

Cause: The likely cause is forgetting to make the deposit.

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

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

Management's Response: Amy Biehl High School agrees with this finding. The receipt in question, which was to be deposited within 24 hours of receipt, was deposited 48 hours after receipt. The Finance Director will be more diligent to assure that all deposits are made in a timely fashion.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Amy Biehl Charter High School and Foundation (Continued)

FS 06-45 Approval and Documentation on Journal Entries

Condition: According to 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.

Criteria: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Cause: Although there is a method for journal entries to be recorded, there is no procedure in place that allows for the appropriate review and approval for non-standard journal entries.

Effect: There could be incorrect or inappropriate journal entries posted to the general ledger.

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

Management's Response: Amy Biehl High School does agree with this finding and will implement the following procedure: Upon completion of a non-standard journal entry the transaction will be presented to the Head of School for review and signature approval. Once the approval is in place the transaction will then be posted to the accounting system.

FS 06-46 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff, employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico Regulations which require that the Business Manager or equivalent obtain a license from the State.

Effect: The District operated without a licensed individual during the 2006 fiscal year and was not in compliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: Amy Biehl High School agrees with this finding. The Finance Director has obtained her state mandated license which is effective July 1, 2006 to June 30, 2009. License number is 320355.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Amy Biehl Charter High School and Foundation (Continued)

FS 06-47 Budgetary Conditions

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

Federal Stimulus	
Business & Support	989
Restorative Justice	
Instructional Support	6,870
Capital Outlay	4,408
CES Fund	
Direct Instruction	5,550
McCune	
Administration	1,940

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 expenditure is the legal level of control.

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

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

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

Management's Response: Amy Biehl High School agrees with this finding. Although budget adjustments were submitted and approved during the year, some budget line items remained overspent at the end of the year. However, the school did not overspend its over-all budget. The Finance Director will be more diligent to assure that necessary budget adjustments are made in a timelier manner.

FS 06-48 Lack of Supporting Documentation - Foundation

Condition: During our test work, we noted that there were 2 disbursements (\$596.54 and \$1,217.52) out of 5 tested which did not have supporting documentation.

Criteria: Sound business practice required organizations to retain copies of documents for all purchases made.

Cause: The Foundation was not consistent in utilizing purchase order and keeping records on file and has not maintained an adequate audit trail.

Effect: This could result in excessive payments, incorrect payments, lack of proper audit trail or in the case of grant expenditures, payment of allowable costs which may be unallowable to the grant.

Auditor's Recommendation: We recommend that the school implement a disbursement policy that allows the Foundation to keep adequate track of documents relating to purchases.

Management's Response: The School has hired an office manager who insures that all files are complete. If files are not complete she will send out written quarterly reminders of what is needed. Before any current staff member is issued a contract for FY 2007, the principal, business manager and office manager will confirm that files are complete.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Amy Biehl Charter High School and Foundation (Continued)

FS 06-49 Inadequate Segregation of Duties in the Receipting Process - Foundation

Condition: The Business Manager's duties include preparing bank reconciliations, depositing receipts into the bank and posting to the general ledger.

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

Cause: The lack of segregation of duties is the result of a lack of qualified employees. This has left the business manager handling most of 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 compliant with State Statute.

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: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Cesar Chavez Community School

FS 06-50 - Procurement

Condition: During testwork of State Auditor Compliance for procurement the School purchased a Computer installation totaling \$34,140. The School failed to obtain sealed bids for the purchase.

Criteria: Per NMAC 6.20.2.17, Procurement Code Section 13-1-21 et. Seq., NMSA 1978, bids should be obtained for all purchases over \$20,000 and \$30,000 in the case of professional services.

Cause: The State Purchasing Code requires that bids should be obtained for all purchases over \$20,000 and \$30,000 in the case of professional services.

Effect: The School was not in compliance with the State Procurement Code and may have paid more than necessary for the project.

Auditor's Recommendation: We recommend the School to comply with the procurement code and obtain sealed bids for all purchases over \$20,000 and \$30,000 for professional services.

Management's Response: Management did not prepare a RFP for computer network services because we did not anticipate going over \$30,000. Unfortunately, the installation required more work than planned due to our move to a new facility in January 2006. We did not think it would be feasible to change vendors or bid it out at that point and thought it best to complete the school year with our current vendor who knew our system and could continue to provide services to allow the school to function at an optimal level.

Management will follow the procurement code diligently in the current fiscal year in order to comply with procurement code and obtain sealed bids for all purchases over \$20,000 for goods and \$30,000 for professional services.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Charter Vocational and Charter Vo-Tech High School

FS 06-51 Supply Inventory

Condition: During our audit of the School, we noted that there were no internal controls over supplies inventory and that some inventory purchased during the year was misplaced. Subsequent to year end, the inventory was found.

Criteria: NMAC 6.20.2.16 states that "School districts shall establish adequate internal accounting control procedures over supplies inventory with GAAP."

Cause: The cause is a lack of internal controls over supply assets. The Assistant Principal along with an investigator conducted an inventory and could not locate some items. Subsequent to their inventory, the inventory items were found conspicuously located in a storage facility that had previously been checked, indicating possible misappropriation.

Effect: There is an increased risk for theft of supplies if internal controls are not in place.

Auditor's Recommendation: We recommend that the School, (ACVHS) ensure compliance with NMAC 6.20.2.16 by creating and implementing an internal control and inventory policy for supply assets.

Management's Response: The school began in FY 2006 logging all supply items purchases but did not record the destination location. Starting with material receipts in FY07, all items will be recorded and tracked by location within the school. A physical inventory of all assets, fixed and supply items, will be conducted in the fourth quarter of fiscal year 2007.

FS 06-52 Approval and Documentation on Journal Entries

Condition: According to 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.

Criteria: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Cause: Although there is a method for journal entries to be recorded, there is no procedure in place that allows for the appropriate review and approval for non-standard journal entries.

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.

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

Management's Response: Management agrees that documentation and review of non-standard journal entries were not formally documented and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Charter Vocational and Charter Vo-Tech High School (Continued)

FS 06-53 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause and Effect: The School did not keep up to date with new State of New Mexico regulations which required that Business Manager or equivalent obtain a license from the State.

Effect: The District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: The Business Manager of the school received the appropriate Business Official license in December 2006.

FS 06-54 Budgetary Conditions

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

Charter Vo-Tech	
Instructional Support	
Instructional Support	5,182
Public School Capital Outlay	
Instructional Support	21,197
Charter Vocational	
Title I	
Instructional Support	12,080

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 expenditure is the legal level of control.

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

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

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

Management's Response: Charter Vocational will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Charter Vocational and Charter Vo-Tech High School (Continued)

FS 06-55 RHC Contributions

Condition: During field work, we noted on RHC payments for June (\$3502.14 for Charter Vo-Tech and \$3959.64 for Charter Vocational) were not paid until July 19, 2006.

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted to RHC, respectively no later than the 15th of the following month.

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

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

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: Charter Vocational will implement policies and procedures in its internal controls to ensure that contributions do not exceed the legal level of control.

FS 06-56 Reporting

Condition: As part of our test work, we reviewed the quarterly 941 reports, the ERB reports and the RHC reports in an attempt to agree the totals to the general ledger for each school. Regarding the 941 reports for Charter Vo-Tech, we had an irreconcilable difference of \$11,040 or 6.69%, the ERB reports indicate an irreconcilable difference of \$10,446 or 16.09%. Regarding the 941 reports for Charter Vocational, we had an irreconcilable difference of \$11,040 or 6.69%, the ERB reports indicate an irreconcilable difference of \$15,917 or 14.38%, the RHC reports indicate an irreconcilable difference of \$3,358 or 23.74%.

Criteria: State regulation 6.20.2.11 (B) (6), NMAC, and sound business practice indicates that all prepared reports should be reconciled to the general ledger to ensure proper calculation, classification and recording of financial information.

Cause: The above situations are a direct result of significant turnover in key positions.

Effect: The School is in violation of NMAC 6.20.2.11 (B) (6) and may not have reported the correct amount.

Auditor's Recommendation: The school should reconcile each of these reports to the general ledger at least quarterly to ensure proper calculation and recording.

Management's Response: Charter Vocational will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Charter Vocational and Charter Vo-Tech High School (Continued)

FS 06-57 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

Effect: The School is in a violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, the report sent to PED does not reflect what is in 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.

Management's Response: Management has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Creative Education Preparatory Institute #1

FS 06-58 - Bank Deposits

Condition: During our test work of internal controls for receipts we noted that the School does not use pre-numbered receipts making it difficult to ascertain whether the monies were deposited within 24 hours.

Criteria: NMAC 6.20.2.14c states that money received and receipted shall be deposited in the bank within twenty-four (24) our or one banking day.

Cause: The following of the 24 hour deposit requirement is not being enforced at all levels.

Effect: There is an increased risk of theft or fraud when deposits are not made on a timely basis.

Auditor's Recommendation: We recommend that the school familiarize responsible employees with the New Mexico Administrative Code relating to Public Schools in order to ensure compliance with regulations.

Management's Response: CEPI #1 has started noting the date checks are received in the office on receipts of each check. Copies of the check stubs will be attached to the bank reconciliations done each month.

FS 06-59 - PED Reports

Condition: Audit procedures performed at the school indicated that the June 30, 2006 PED report did not agree with the balance recorded in the general ledger.

Criteria: According to Regulation 6.20.2.11 SBE-6, reports submitted to the Public Education Department (PED) must agree to the general ledger.

Cause: The School went through a computer conversion and did not transfer the proper beginning cash balances into the general ledger. In addition, PED continues to wire CEPI 2 funds into CEPI #1's bank account. In order for CEPI #1 to tie out cash, they must post these wire transfers to their GL but the transfer from CEPI #1 back to CEPI #2 is not being accounted for in the GL as it is not an expense of the School.

Effect: This resulted in a violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, PED does not have an accurate reporting of the school's activity. Additionally, the report sent to PED does not reflect what is in the general ledger.

Auditors' Recommendations: School officials must insure that PED reports, as well as the recording of financial activity is processed and performed in compliance with PED requirements. This includes the agreement of the reports to financial transaction activity recorded for the schools records.

Management's Response: The computer conversion is complete and the same issue is not expected to arise in the future. It is also not expected that errors in wiring of funds from PED will not take place in the future since care has been taken to make sure the PED is aware of separate accounts for each school.

Creative Education Preparatory Institute #2

No findings for the fiscal year of June 30,2006.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

East Mountain High School & Foundation

FS 06-60 Travel & Per Diem

Condition: An employee was reimbursed \$42/day for meals.

Criteria: Under NMAC 6.20.2.19 Section 10-8-4, a salaried public officer of a state agency or local public body or a salaried employee of a state agency or local public body is entitled to per diem expense and shall receive reimbursement for actual expenses for meals not to exceed \$30 per day for in-state travel.

Cause: School travel policies and the Per Diem and Mileage Act regulations are not being enforced at all levels.

Effect: The School is in violation of the per Diem and Mileage Act and its own policies.

Auditors' Recommendations: The school should develop and follow written policies and procedures in accordance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and the department of finance and administration regulations.

Management's Response: As a repeat finding this is a serious issue for EMHS. To further address this finding, EMHS mgt will create immediately and provide to all staff members BEFORE any travel & per diem is authorized, a template that will outline all reimbursable costs and how to apply for reimbursement. No travel and per diem will be paid until this template is completed by the staff member with all necessary Original receipts attached and approved by the Supervisor, Business Manager and Business Technician. This template will be provided to auditors as soon as it is created.

FS 06-61 Disbursements – Lack of Documentation

Condition: There was one disbursement, out of five, examined during our testwork, in the amount of \$100, that did not have a purchase requisition when it should have had one.

Criteria: NMAC 6.20.2.17 states that a school must establish procedures for purchasing and follow them. East Mountain's procedures state that they must have a purchase requisition for all items and they did not comply with this procedure.

Cause: The school chose not to have a purchase requisition for this item.

Effect: There is an increased risk of unauthorized or unallowable expenditures.

Auditor's Recommendation: We recommend that the school have a purchase requisition for every item, as outlined in their policies and procedures.

Management's Response: EMHS Business Office has created two additional internal levels of control for all purchases. Before any purchase requisition is approved it has passed through the hands of the Principal/Business Officer, Business Office Clerk and Business office technician.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

East Mountain High School & Foundation (Continued)

FS 06-62 Cash Receipts – Inadequate Documentation

Condition: There was one transaction out of five tested, in the amount of \$100, for which there was no receipt available.

Criteria: All cash receipts are required to have supporting documentation; including receipt of deposit that indicates deposit was made within 24 hours.

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

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.

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

Management's Response: EMHS deposits with Bank of the West all cash at the end of each school day. Money is receipted and counted by the School Main Office Receptionist, recounted and verified by the Main Office Manager, who also prepares a detailed cash receipts spreadsheet, then deposited by the Main Office Manager. Deposit receipts and spreadsheets are presented each morning to the Business Office Technician by the Office Manager.

FS 06-63 Fixed Assets – Lack of Disposal Records

Condition: There was one asset, broken chair, that was disposed of and there was no documentation available that detailed disposal information, i.e. amount of proceeds received, book value of asset, etc.

Criteria: According to the State Auditor's Office, all government agencies are required to maintain a list of assets that are to be disposed. Before these agencies can dispose of the asset they are required to submit the listing to the SAO for approval. Once approval is obtained the agency can then dispose of said items.

Cause: Asset disposal forms were not utilized until half-way through FY2006. Prior to these forms, the school had no procedures in place to track any of its disposals of assets.

Effect: Capital asset balances may be overstated and listed that are not in use by the School.

Auditor's Recommendation: We recommend that any and all assets that are to be disposed of in the future follow the required guidelines set by the State and that Asset Disposal forms be completed on all assets.

Management's Response: EMHS maintains a full inventory of all purchased and donated materials, furniture and equipment. When any staff member wishes to dispose of or transfer any item on the inventory list, an EMHS transfer or Disposal Form must be completed and submitted to the Business Office for approval. If the transfer or disposal is approved, the form is signed and forwarded to the Assistant Principal assigned to oversee this process. Now, EMHS will present a list of all items requested for disposal to the EMHS Governing Council for their approval and, if disposal is approved the State Auditor's Office will be informed in writing of the intent to dispose.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

East Mountain High School & Foundation (Continued)

FS 06-64 Budgetary Conditions

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

General Fund	
Direct Instruction	16,663
Pupil Transportation	
Direct Instruction	66,800
Instructional Support	
Direct Instruction	6,581
Non-Instructional Support	
Direct Instruction	2,139
Idea-B Entitlement	
Direct Instruction	4,470
Walton Family Foundation	
Instructional Support	346
Beg Teacher Mentoring Program	
Direct Instruction	154
Florida Power & Light	
Direct Instruction	42,737

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 expenditure is the legal level of control.

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

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

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

Management's Response: East Mountain High School & Foundation will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

FS 06-65 Gross Pay Does Not Agree To Contract Amount

Condition: During our test work, we noted one instance where gross wages do not agree to the stated contract amount. There was a difference of \$5000.

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

Cause: Management did not change the contract amount after the teacher received a raise for obtaining her level II licensure.

Effect: The School did not maintain proper authorization for wage rates and teachers could have been over paid.

Auditor's Recommendation: The School must insure that for every increase in salary that there is a signed contract in the employee file showing the raise has been approved by management. This also insures that related payroll deductions are being calculated correctly and properly accounted for.

Management's Response: The School has developed and implemented policies and procedures which ensure proper procuring of goods and services and maintenance of appropriate supporting documentation.

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June 30, 2006

East Mountain High School & Foundation (Continued)

FS 06-66 Approval and Documentation on Journal Entries

Condition: According to 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.

Criteria: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Cause: Although there is a method for journal entries to be recorded, there is no procedure in place that allows for the appropriate review and approval for 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.

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

Management's Response: East Mountain High School does agree with this finding and will implement the following procedure: Upon completion of a non-standard journal entry the transaction will be presented to the Head of School for review and signature approval. Once the approval is in place the transaction will then be posted to the accounting system.

FS 06-67 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

Effect: The School is in a violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, the report sent to PED does not reflect what is in 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.

Management's Response: Management has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

East Mountain High School & Foundation (Continued)

FS 06-68 Inadequate Segregation of Duties in the Receipting Process - Foundation

Condition: The Business Manager's duties include preparing bank reconciliations, depositing receipts into the bank and posting to the general ledger.

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

Cause: The lack of segregation of duties is the result of a qualified employees which has left the business manager handling most of 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 compliant with State Statute.

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: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

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High Tech High Charter School

FS 06-69 Procurement

Condition: During our testwork, we noted that the School purchased telephone wiring for approximately \$25,000 and wrote a check for \$20,000 to cover part of this cost. No bids were solicited or received for this purchase.

Criteria: Per the New Mexico State Procurement Code, all purchases over \$10,000 require three sealed bids to be obtained prior to purchasing.

Cause: The State Purchasing Code requires that bids should be obtained for all purchases over \$20,000 and \$30,000 in the case of professional services.

Effect: The School is out of compliance with the State Procurement Code.

Auditors' Recommendation: We recommend that the School implement internal controls to ensure that all purchases over \$10,000 solicit and receive the required bids prior to making the purchase.

Management's Response: Advanced Network was paid in two disbursements with neither one exceeding the \$10,000 limit. This issue was incurred by a previous administration and current practice is in line with the State Procurement Code.

FS 06-70 Credit Card Purchases – Lack of Supporting Documentation

Condition: During our testwork we noted that two (\$398.82 and \$86.92) of the five credit card purchases we selected for testwork were not accompanied by itemized receipts and did not have any other supporting documentation.

Criteria: All purchases made with the School's credit card should be accompanied by itemized receipts and should be a necessary purchase for the benefit of the School.

Cause: The School did not follow its policies and procedures regarding internal controls.

Effect: The effect is that the employee utilizing the School's credit card could make personal purchases on the card that the School would be responsible for. The School is not in compliance with State Statute.

Auditors' Recommendation: We recommend that internal controls be implemented over the School's credit card to ensure that only authorized employees have the cards and that all purchases are accompanied by itemized receipts or other form of supporting documentation for individual credit card purchases.

Management's Response: This issue is nearly two years old and was incurred by previous administration. Compass Bank Visa-school has a credit card that was used excessively. Most of the documents to support the purchase were not filed and the credit card account has been closed.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

High Tech High Charter School (Continued)

FS 06-71 Cash Reconciliations

Condition: During our testwork we noted that the cash account had not been reconciled and the cash balances did not tie to the general ledger balance by \$14,649.

Criteria: It is sound business practices to reconcile all cash accounts.

Cause: The cause is due to turnover in business management.

Effect: The effect is that the School cannot be sure of their cash balance without performing the required reconciliations.

Auditors' Recommendation: We recommend that the School implement monthly reconciliations of all cash accounts to ensure that the general ledger balance ties to the PED balance.

Management's Response: Currently this is done monthly, so as to allow completion of quarterly reports.

FS 06-72 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico regulations which require that Business Manager or equivalent obtain a license from the State.

Effect: The result was that the District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: State of New Mexico License #318716, issued July 1, 2006 to the new Business Manager.,

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June 30, 2006

High Tech High Charter School (Continued)

FS 06-73 Budgetary Conditions

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

General Fund	
Instructional Support	48,258
Administration	30,785
Business & Support	24,017
Federal Stimulus	
Direct Instruction	271,456
Instructional Support	2,282
Administration	190

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 expenditure is the legal level of control.

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

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

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

Management's Response: High Tech High Charter School will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

FS 06-74 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptFund. Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations.

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.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to ensure non-standard journal entries are reviewed and approved.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

High Tech High Charter School (Continued)

FS 06-75 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

Effect: The School is in a violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, the report sent to PED does not reflect what is in 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.

Management's Response: Management has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

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June 30, 2006

Horizon Academy Northwest

FS 06-76 Cash not Reconciled

Condition: During fieldwork we noted that the bank reconciliations did not agree with the cash balance per the general ledger.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This was caused by an undue reliance on the system to perform the function appropriately. The business management did reconcile general ledger accounts to accounts being reconciled.

Effect: The School did not properly "maintain" control over cash accounts due to a lack of timely reconciliations which could result in intentional errors left undiscovered.

Auditors' Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis.

Management's Response: The manager has contracted with the software representative for training to ensure the general ledger and the bank reconciliation accounts match on a monthly basis.

FS 06-77 Disbursements – Lack of supporting documentation

Condition: During our test work we noted the following:

- 1 out of 5 transactions did not contain the account coding.
- 1 out of 5 transactions did not trace to the general ledger.
- 3 out of 5 transactions did not contain a check request.
- 5 out of 5 transactions did not contain a PO.

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.

Cause: The School did not follow its policies and procedures regarding internal controls.

Effect: The School is not in compliance with State Statute.

Auditor's Recommendation: We recommend that all disbursements be coded to ensure proper accounting records and that all items are presented with the proper forms that show authorization and approval.

Management's Response: The school's accounting system does not allow check to be printed without the entire amount of the check being assigned an expense account code(s). Account codes are always listed on POs, always on system generated PRs, sometimes on hand written PRs and never on checks. North Valley Academy is a small public school entity with limited resources and does not require "check requests". Normally a "purchase request" (PR) will be submitted for approval, after PR is approved a "purchase order" (PO) is submitted to the Principal for approval, unless he has already signed the PR. After PO has been approved an order is placed and after confirmation of delivery is received the Business Manager will honor the invoice received without going through a "check request" process. All of this documentation is then physically attached together and retained in a vender file.

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June 30, 2006

Horizon Academy Northwest (Continued)

FS 06-78 Pledged Collateral

Condition: During the year ended June 30, 2006 the school maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the school did not 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 6-10-17.

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

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.

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's business manager has contacted its bank on three separate occasions in regards to this issue and all three times the bank has responded that since the school does not have a debt with the bank that a pledge collateral is not required. The school's business manager will write a letter to the bank addressing this issue and enclose a copy of Sections 6-10-17 NMSA 1978. If the bank refuses to obtain the appropriate pledged collateral the school will then look into banking with another bank.

FS 06-79 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff, employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico regulations which require that Business Manager or equivalent obtain a license from the State.

Effect: The result was that the District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: The school's Business Manager was hired on September 1, 2005 and was unable to attend NMASBO's Fall Conference for 2005, a state required step in obtaining the license in question. The Business Manager attended the Winter Conference and received his training certificates in May of 2006. The school's Business Manager currently holds a "Level Two Professional School Business Official License", effective from July 1, 2006 to June 30, 2015; licensure number 318390.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Horizon Academy Northwest (Continued)

FS 06-80 Budgetary Conditions

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

General Fund	
Administration	478
Title I	
Direct Instruction	15,210
IDEA-B Entitlement	
Direct Instruction	15,611
Instructional Support	4,330
Federal Stimulus	
Operation/Maintenance	20,200

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 expenditure is the legal level of control.

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

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

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

Management's Response: On June 30, 2006 YTD expenditures did not exceed budget authority except for one section of fund 24106 which exceeded budget authority by 3.71, Fund 31200 exceeded budget authority by .48 and Fund 24146 exceeded budget authority by 20193 within function 05 but not within the entire Fund. Each individual purchases out of fund 24146 required and received PED approval. PED issues budget authority for fund totals for 24XXX funds. Function and object level operations are reviewed via program managers within PED and not by BARs. The school's Business Manager will work to insure that PED budget authority is not exceeded and recorded within the school's accounting system.

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June 30, 2006

Horizon Academy Northwest (Continued)

FS 06-81 Activity Funds

Condition: Several instances were noted during the audit for the year ended June 30, 2006 in which proper accounting and administration of activity funds was not achieved.

- Records of transactions were not being maintained
- Accurate bank or cash reconciliations are not being prepared timely.

Criteria: State Statute 6-10-2 NMSA, 1978 and state regulation 6.20.2.23 (C), NMAC, state that the business office is responsible for maintaining adequate collateral pledged for monies in Activity funds, Assisting club sponsors and treasurers in order to assure: timely deposits within 24 hours or one banking day, appropriate approvals are obtained for disbursements, an internal control structure is in place to safeguard the assets and promote reliability of the activity financial reports, accurate bank or cash reconciliation prepared timely and records are retained for review by business office and auditor.

Cause: The school is not following its activity fund policies and procedures which results in a violation of State Statute 6-10-2 NMSA, 1978.

Effect: Due to these procedures being decentralized, the risk of misappropriation is greater when the policies and procedures are not followed.

Auditor's Recommendation: As a result of activity funds being decentralized, these funds are highly susceptible for misappropriation; therefore, Management should educate the employee's responsible for activity funds regarding the State Statute, and continue to monitor each site for continuous improvement.

Management's Response: Management has changed and new policy and procedures in affect. Reports will be filed in a timely manner.

FS 06-82 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school recently began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund. Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations.

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.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

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June 30, 2006

Horizon Academy Northwest (Continued)

FS 06-83 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

Effect: The School is in a violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, the report sent to PED does not reflect what is in 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.

Management's Response: Management has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

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June 30, 2006

Horizon Academy South

FS 06-84 Payroll-Lack of Supporting Documentation

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

- 2 out of the 5 I-9's that we tested had missing information.
- All 5 of the payroll registers that we looked at had no approval/review signature.

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

Cause: The School did not follow its policies and procedures regarding payroll.

Effect: Due to possible errors in record keeping, supporting documentation may not be properly completed or misplaced. The School is incompliant with NMAC 6.20.2.18.

Auditors' Recommendation: We recommend the school follow NMAC 6.20.2.18 to ensure all required payroll related documentation is completed and properly filed.

Management Response: I-9s: There was a period of time that we were advised by Council not to photocopy documentation. This advice has been changed and we are now photocopying documentation. However, there will be I-9s without documentation until all of the affected employees no longer work at Horizon South.

Signing of Payroll Registers: We have been improving our processes and compliance with regulations. In FY 07, our financial consultant recommended we start signing payroll registers. This has been initiated and registers are now signed by the Principal and Governing Council President.

FS 06-85 Budget Adjustment Requests

Condition: Out of the 5 Budget Adjustment Requests that we tested, there was 1, in the amount of \$4,500.00 that we could not trace into the general ledger.

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 in the Schools PED Report.

Cause: The school obtained the appropriate approval for the Budget Adjustment. Because we could not trace to the general ledger, the school faces the possibility of over-expending in the function that this particular Budget Adjustment affected since it cannot be located in the system.

Effect: The School is not in compliance with State Statute.

Auditors' Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for budgetary authorization.

Management's Response: Significant progress has been made and we continue to improve our processes and compliance with regulations. We have started a BAR log which tracks every BAR, date approved by the governing council, the PED BAR #, if required, when it was approved by PED, and the journal entry number which recorded the BAR into APTA, our computerized accounting system. A copy of the log is provided to the Governing Board each time a new BAR is requested.

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June 30, 2006

Horizon Academy South (Continued)

FS 06-86 Internal Controls Over Non-Standard Journal Entries

Condition: We noted that there was 1 journal entry out of the 5 that we tested that did not contain the proper supporting documentation.

Criteria: According to 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.

Cause: All journal entries should contain the appropriate documentation that allows the reviewer to understand why the entry needs to be made. By having supporting documentation, it mitigates the risk of an entry that is fraudulent to be posted to the system.

Effect: There is an increased risk of error or irregularity in the financial reporting system.

Auditors' Recommendation: We recommend the school review their policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed, approved and supported.

Management's Response: During the internal review of FY06 we found additional journal entries entered by staff, no longer employed here, that were not approved. We are in the process of tightening software access to this process. In FY07 all journal entries will have adequate supporting documentation and be approved by the Principal.

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June 30, 2006

Horizon Academy South (Continued)

FS 06-87 Pledged Collateral

Condition: During the year ended June 30, 2006 the school maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the school did not 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 6-10-17.

Cause: Insufficient pledged collateral to comply with coverage requirement.

Effect: The School is not maintaining the pledged collateral coverage requirements which cause the School to be out of compliance with NMSA 1978 Section 6-10-17.

Auditors' 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 bank had school listed as a private school not as a public charter school which has since been corrected.

FS 06-88 Budgetary Conditions

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

General Fund	
Business & Support	3,454
Community Service	826
Title I	
Direct Instruction	29,844
Instructional Support	3,456
Public School Capital Outlay	
Operation/Maintenance	54,678

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 expenditure is the legal level of control.

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

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

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

Management's Response: Administration and Governing Council reviewed the budget regularly at meetings, and will continue to improve the review process to insure compliance. In the first quarter of 2007 fiscal year, an external financial consultant was hired to complete an internal audit of FY06. During this review many coding errors were found and corrected. Due to State deadlines, and in consultation with PED officials, final year-end budget adjustments were not done. We are currently bringing FY07 up to date and estimate that budgetary issues will cease to be an issue by second quarter of FY07.

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Horizon Academy West

FS 06-89 Cash not Reconciled

Condition: During fieldwork we noted that the bank reconciliations did not tie to the general ledger as of year-end.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: There was an over reliance on the accounting system to perform the function automatically.

Effect: Due to a lack of manual review in this area, the School was unable to determine that its bank accounts were not reconciled to the general ledger. Therefore, the School is not in compliance with State Statute.

Auditors' Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis and that accounts are being reconciled to the general ledger.

Management's Response: The manager has contracted with the software representative for training to ensure the general ledger and the bank reconciliation accounts match on a monthly basis.

FS 06-90 Cash Receipts – Differences with General Ledger

Condition: We noted that there were 4 transactions that did not tie to the general ledger because the account is not being recorded in APTA.

Criteria: Good accounting practices ensure that all accounts are accounted for and are reconciled on a periodic basis.

Cause: There are no controls in place ensuring that all cash receipts are properly and timely submitted to the School or that all cash receipts are procured properly.

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 compliant with State Statute.

Auditors' Recommendation: We recommend that all accounts that are used by the school are used at all times, when those accounts are affected and that there be reconciliations to the general ledger periodically.

Management's Response: For the 2007-2008 school year, the Activities account will be recorded/tracked in the Apta system so that the above is not repeated.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Horizon Academy West (Continued)

FS 06-91 Pledged Collateral

Condition: During the year ended June 30, 2006 the School maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the School did not 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 6-10-17.

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

Effect: The School is not in compliance with the pledged collateral requirement. Additionally, the School has been exposed to potential uninsured losses.

Auditors' 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's Business Manager has contacted its bank on three separate occasions (and talked to two different bank personnel) regarding this issue. Every time, the bank has stated that since the School does not have a debt with the bank that a pledged of collateral is not required. The school's Business Manager will write a letter to the bank regarding this issue and will enclose a copy of 6-10-17 NMSA 1978. If the bank refuses to obtain the appropriate pledged collateral, the School will look into banking with another financial institution.

FS 06-92 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico regulations which require that Business Manager or equivalent obtain a license from the State.

Effect: The result was that the District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditors' Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: Horizon Academy's West Business Manager currently has a Level II Professional School Business Official License issued by the State of New Mexico. The Licensure Number is 318086 and expires June 30, 2015.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Horizon Academy West (Continued)

FS 06-93 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

Effect: The School is in a violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, the report sent to PED does not reflect what is in the general ledger.

Auditors' 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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

FS 06-94 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund.

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.

Auditors' 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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Horizon Academy West (Continued)

FS 06-95 Activity Funds

Condition: Several instances were noted during the audit for the year ended June 30, 2006 in which proper accounting and administration of activity funds was not achieved.

- Records of transactions were not being maintained
- Accurate bank or cash reconciliations are not being prepared timely.

Criteria: State Statute 6-10-2 NMSA, 1978 and state regulation 6.20.2.23 (C), NMAC, state that the business office is responsible for maintaining adequate collateral pledged for monies in Activity funds, Assisting club sponsors and treasurers in order to assure: timely deposits within 24 hours or one banking day, appropriate approvals are obtained for disbursements, an internal control structure is in place to safeguard the assets and promote reliability of the activity financial reports, accurate bank or cash reconciliation prepared timely and records are retained for review by business office and auditor.

Cause: The School is not following its activity fund policies and procedures which results in a violation of State Statute 6-10-2 NMSA, 1978.

Effect: Due to being decentralization of activity funds, the risk of misappropriation is greater when the policies and procedures are not followed.

Auditors' Recommendation: As a result of activity funds being decentralized, these funds are highly susceptible for misappropriation; therefore, Management should educate the employee's responsible for activity funds regarding the State Statutes, and continue to monitor each site for continuous improvement.

Management's Response: Management has reviewed cash management procedures, and activity fund accounting to educate the employees responsible. Management will continue to monitor each site for continuous improvement, and has set up annual cash handling process reminders to all individuals involved in cash handling.

FS 06-96 Reporting

Condition: As part of our test work, we reviewed the ERB reports in an attempt to agree the totals to the general ledger. We had an irreconcilable difference of \$9,182 or 5.66%.

Criteria: State regulation 6.20.2.11 (B) (6), NMAC, and sound business practice indicates that all prepared reports should be reconciled to the general ledger to ensure proper calculation, classification and recording of financial information.

Cause: This was a result of not reconciling reports timely.

Effect: The School did not follow its policies and procedures to reconcile reports to the general ledger. The School is not reconciling the reports with the general ledger resulting in a violation of NMAC 6.20.2.11 (B) (6).

Auditor's Recommendation: The School should reconcile each of these reports to the general ledger at least quarterly to ensure proper calculation and recording.

Management's Response: Horizon Academy West will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Academia De Esperanza

No findings for the fiscal year of June 30, 2006.

La Luz Del Monte Learning Center

No findings for the fiscal year of June 30, 2006.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center

FS 06-97 Lack of Supporting Documentation

Condition: During our test work, we noted that there were 3 disbursements out of 5 tested which did not have a purchase order included in the supporting documentation.

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.

Cause: The School does not consistently utilize Purchase Orders in an effective manner resulting in a violation of 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.

Auditor's Recommendation: We recommend that the school implement a procurement policy in accordance with NMSA 1978 Section 13-1-21 and consistently follow the policy.

Management's Response: La Promesa Early Learning Center has implemented a procurement policy in accordance with NMSA 1978 Section 13-1-21 and is currently following said policy, no purchase will be allowed without purchase order.

FS 06-98 Gross Pay Does Not Agree To Contract Amount

Condition: During our test work, we noted that all 5 of our items tested we could not agree the gross wages to the stated contract amount.

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

Cause: Management made a mistake in entering gross wages into AptaFund, therefore creating the incorrect gross pay to the employees.

Effect: The School is not in compliance with State Statute.

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: La Promesa Early Learning Center has set up a method to insure that paychecks are being calculated correctly based on the contract amount and that authorized deductions are being calculated correctly and properly accounted for.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center (Continued)

FS 06-99 Lack of Authority Signatory on Payroll Registers

Condition: During our review of payroll, we noted out of all of the payroll registers that we reviewed, 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.

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

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

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: La Promesa Early Learning Center has set up a policy within to designate an individual, other than the one preparing payroll to review and ensure there are no discrepancies.

FS 06-100 Travel and Per Diem

Condition: During our test work we noted 1 out of the 5 tested that there was not the required travel form that itemized expenses, therefore there was no authorized signatures present.

Criteria: NMAC 6.20.2.19 requires the school to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4, for all per diem and reimbursement rates.

Cause: School travel policies and the Per Diem and Mileage Act regulations are not being enforced at all levels.

Effect: The School is not following the NMAC 6.20.2.19; therefore they are not in compliant with the Per Diem and Mileage Act.

Auditor's Recommendation: We recommend the School follow the Per Diem and Mileage Act when processing and paying per diem and travel reimbursements.

Management's Response: La Promesa Early Learning Center has implemented policy to follow the Per Diem and Mileage Act as defined by the State of New Mexico.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center (Continued)

FS 06-101 ERA and RHC Contributions

Condition: During field work, we noted on ERA that the payments for April and May (\$644.73/mo) were not paid until August 2006. We noted on the RHC that the payments for March, April, May and June - \$30.45, \$49.72, \$49.72 and \$74.59, respectively were not paid as of field work.

Criteria: Monthly contributions to the Employee Retirement Act (ERA) and to the Retiree Health Care (RHC) are required to be remitted to Employee Retirement Board (ERB) and to RHC, respectively no later than the 15th of the following month.

Cause: The School failed to make the contributions timely.

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

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

Management's Response: La Promesa Early Learning Center has implemented a policy that ensures timely reports and payments to Federal and State agencies. All reports will be completed by the 10th of the month.

FS 06-102 Budget Adjustment Requests

Condition: During our test work of budget adjustment requests, we found a request in the amount of \$43,453 that had been posted to the GL but showed no authorized signature from PED indicating approval at the appropriate level.

Criteria: 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.

Cause: The School did not submit an approved budget adjustment request in accordance with State Statute.

Effect: The cause is unknown. The effect of this condition is that budget adjustments are not properly approved.

Auditor's Recommendation: The School needs to ensure that all budget adjustment requests that are issued receive the proper approval before entering into the GL system. This ensures that all budgetary standards are met.

Management's Response: La Promesa Early Learning Center has implemented a policy to ensure that all Budget Adjustment Requests (BARs) are properly approved by the proper Local and State Level personnel, prior to entering them into the GL System.

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ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center (Continued)

FS 06-103 Pledged Collateral

Condition: During the year ended June 30, 2006 the school maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the school did not 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 6-10-17.

Cause: Insufficient pledged collateral to comply with coverage requirement.

Effect: The School is not maintaining the pledged collateral coverage requirements which cause the School to be out of compliance with NMSA 1978 Section 6-10-17.

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: New policy and procedures have been adopted by Management and will be enforced by the new Business Manager.

FS 06-104 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The did not keep up to date with new State of New Mexico regulations which required that Business Manager or equivalent obtain a license from the State.

Effect: The District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: The new Business Manager has applied for a license subsequent to June 30, 2006.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center (Continued)

FS 06-105 Budgetary Conditions

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

General Fund	
Instructional Support	1,687
Business & Support	7,270
Operation/Maintenance	8,590
Wallace Foundation	
Instructional Support	104
State Stimulus	
Instructional Support	9,399
Business & Support	3,692

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 expenditure is the legal level of control.

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

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

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

Management's Response: La Promesa Early Learning Center will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

FS 06-106 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school recently began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund.

Effect: Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations. There could be incorrect or inappropriate journal entries posted to the general ledger.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center (Continued)

FS 06-107 Segregation of Duties -Payroll

Condition: The Business Manager performs all the duties and functions that are required to process payroll without review of another party and also enters new employees into the accounting system.

Criteria: Segregation of duties in payroll and other processes, as indicated in NMAC Section 6.20.2.11, is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities.

Cause: Due to the limited resources, the School relies on the expertise of one individual to process the Charter's payroll. Limited resources and the Business Manager expertise in this process appears to result in lack of segregation of duties.

Effect: Without adequate segregation of duties or a formal review process, errors may be made without detection as well as intentional "ghost" employees.

Auditor's Recommendation: Develop a formal review process for the payroll transaction cycle. Implement procedures which require that the other individual's to be trained in the payroll process and periodically perform the payroll function. The school should also separate the ability for the same person who enters payroll to also enter new employees into the accounting system.

Management's Response: In order to address the issue of segregation of duties, the following changes have been made. One person will authorize new employees and a different person reviews and approves that the Business Manager entered the payroll information into the system correctly.

FS 06-108 Inadequate Segregation of Duties in the Receipting Process

Condition: The Business Manager's duties include preparing bank reconciliations, depositing receipts into the bank and posting to the general ledger.

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

Cause: The cause of the lack of segregation of duties is the result of qualified employees which has left the business manager handling most of 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 compliant with State Statute.

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: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

STATE OF NEW MEXICO
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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Promesa Early Learning Center (Continued)

FS 06-109 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

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

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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

FS 06-110 Federal Cash Requirements

Condition: The School, at times, is required to "borrow" between funds while it awaits reimbursement from its grant awardees.

Criteria: State Regulation 6.20.2.23 (B) (1) and (2), NMAC, dictate that Federal grant provisions do not allow for federal funds to subsidize other grants and/or programs.

Cause: Cost reimbursement grants are periodically delayed in providing funds to the School.

Effect: The School risks the possibility of being in noncompliance with federal grant provisions if the practice continues to occur.

Auditor's Recommendations: The School must monitor federal program cash management requirements to insure that federal funds are not used to supplant other programs, federal or state.

Management's Response: The School has a new Business Manager. Although documents from prior Business Manager were unobtainable, all federal disbursements have now been compliant with audit requirements and State of New Mexico requirements.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Resolana Leadership Academy

FS 06-111 Disbursement – Lack of Authorization

Condition: We noted the following during our test work:

- 1 out of 5 tested; there was no PO authorizing purchase.
- 1 out of 5 tested; payment made was higher than invoice.
- 2 out of 5 tested; no PO on file.

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

Cause: The School did not obtain proper approval for cash disbursements.

Effect: This could result in excessive payments, incorrect payments, lack of proper audit trail or in the case of grant expenditures, payment of allowable costs which may be unallowable to the grant.

Auditor's Recommendation: We recommend that policies and procedures be established that outlines the method of issuing a check for any services and/or goods received, and that these procedures be communicated to the staff.

Management's Response: The current administration and governing council have taken action to improve the financial accountability of the School. This includes establishing policies and procedures to ensure compliance with all statutes and regulations.

FS 06-112 Pledged Collateral

Condition: During the year ended June 30, 2006 the school maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the school did not 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 6-10-17.

Cause: Insufficient pledged collateral to comply with coverage requirement.

Effect: The School is not in compliance with the pledged collateral requirement. Additionally, the School has been exposed to potential uninsured losses.

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 has moved its bank accounts using the APS banking contract. The contract requires the bank to maintain adequate collateral as required in statute. The bank is providing reports that detail collateral and this information is reviewed as the monthly bank reconciliation is completed.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Resolana Leadership Academy (Continued)

FS 06-113 Travel & Per Diem

Condition: An employee was reimbursed \$42/day for meals.

Criteria: Under NMAC 6.20.2.19 Section 10-8-4, a salaried public officer of a state agency or local public body or a salaried employee of a state agency or local public body is entitled to per diem expense and shall receive reimbursement for actual expenses for meals not to exceed \$30 per day for in-state travel.

Cause: School travel policies and the Per Diem and Mileage Act regulations are not being enforced at all levels.

Effect: The School reimbursed in excess of the amount allowed by the Per Diem and Mileage Act. The School is in violation of the Per Diem & Mileage Act and its own policies.

Auditors' Recommendations: The School should develop and follow written policies and procedures in accordance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and the department of finance and administration regulations.

Management's Response: The School will adopt policies and procedures to address this issue. No travel has been authorized for the current school year.

FS 06-114 Business Licensure

Condition: During the audit, we noted that the School did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a School is required to maintain an individual on staff, employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico regulations which required that Business Manager or equivalent obtain a license from the State.

Effect: The result was that the School operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The School must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: The fiscal year audited was the schools first full year and was also a planning year. The School did contract with a licensed business manager for the last few months of the fiscal year. The School is currently in compliance with this requirement having a licensed business manager who is also a New Mexico licensed Certified Public Accountant.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Resolana Leadership Academy (Continued)

FS 06-115 Budgetary Conditions

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

State Stimulus	
Administration	10,000
Business & Support	5,258
Operation/Maintenance	493
Federal Stimulus	
Direct Instruction	660
Instructional Support	5,351
Administration	12,165
Business & Support	1,370
Operation/Maintenance	1,734

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 expenditure is the legal level of control.

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

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

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 current administration and governing council have taken action to improve the financial accountability of the school. This includes establishing policies and procedures to ensure compliance with all statutes and regulations.

FS 06-116 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund.

Effect: Lack of supporting documentation increases the risk of an entry that is fraudulent to be posted to the system. The School is in violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, PED does not have an accurate accounting of the School activity.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

La Resolana Leadership Academy (Continued)

FS 06-117 Policies and Procedures

Condition: The Charter School did not have policies and procedures in place over:

- Cash Disbursements
- Cash Reconciliations
- Payroll
- Travel & Per Diem
- Cash Receipts

Criteria: According to State Board of Education Title 6, policies and procedures were required for all accounting areas.

Cause: School Officials did not realize that policies and procedures were required for the different accounting areas.

Effect: Repetitive completion of task may not be completed in the same manner, possibly leading to errors or irregularities.

Auditor's Recommendation: The School should develop policies and procedures, which details preparation an review of cash reconciliations, financial statements, payroll, travel and per diem, cash receipts and cash disbursements to ensure proper accounting for the school and other areas outlined in SBE-6 Regulations.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure these areas are reviewed and approved.

FS 06-118 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and that review the PED report to ensure that it reconciles to the general ledger.

Effect: The School is in violation of NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Additionally, the report sent to PED does not reflect what is in 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.

Management's Response: Management has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Los Puentes

FS 06-119 Cash not Reconciled

Condition: During fieldwork we noted that the bank reconciliations did not tie to the general ledger as of year-end.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This was caused by an undue reliance on the accounting system to perform the function automatically.

Effect: Effect: The School did not properly "maintain" control over cash accounts lack of timely reconciliations could result in intentional errors left undiscovered.

Auditor's Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis and that accounts are being reconciled to the general ledger.

Management's Response: The new Business Manager prepares monthly bank reconciliations that reconcile to the General Ledger. They are then reviewed and approved by a member of the Finance Committee.

FS 06-120 Payroll – Lack of Documentation

Condition: During test work we noted the following conditions:

- 4 of 5 employees pay did not calculate back to authorized pay in personnel file.

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

Cause: The School did not follow its policies and procedures regarding payroll.

Effect: Due to possible errors in record keeping, supporting documentation may not be properly completed or misplaced. The School is out of compliance with NMAC 6.20.2.18.

Auditor's Recommendation: We recommend the School follow NMAC 6.20.2.18 to ensure all required payroll related documentation is completed and properly filed.

Management's Response: Management hired a consultant to go through all employee files to determine what was missing and we are seeing that documents as required by NMAC are now kept in the files. We have a check list of required items to keep in the file to make sure we acquire all the proper documents.

STATE OF NEW MEXICO
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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Los Puentes (Continued)

FS 06-121 Credit Cards – Lack of supporting documentation

Condition: We noted one credit card transaction, in the amount of \$442.92 in which there was no supporting documentation that indicated the proper approvals were obtained and whether these items were purchased for school purposes and not personal.

Criteria: Good accounting practices require that all purchases are properly approved and recorded on a timely basis.

Cause: Proper documentation was not properly completed or was misplaced.

Effect: The school was not in compliance with NMAC 6.20.2.18. Additionally, there is exposure to loss and incorrectly stated financial results.

Auditor's Recommendation: We recommend that policies and procedures be established that outlines the proper use and method of credit card uses and ensure that only authorized individuals have access to these credit cards and that they are reconciled with the monthly statement.

Management's Response: Management feels that the item found with out proper supporting documentation was a rare occurrence. We have proper procedures in place and all use of the credit card requires an authorized, signed and justified Purchase Requisition and Purchase Order before use and proper checking and matching of those to receipt after the purchase. We are being extremely careful about credit card use.

FS 06-122 Cash Receipts – Lack of Documentation

Condition: We noted the following during our test work:

- 2 out of 5 transactions we were unable to determine date of receipt and these same receipts did not contain supporting documentation so we were unable to verify 24 hour rule of deposit.

Criteria: All cash receipts are required to have supporting documentation; including receipt of deposit that indicates deposit was made within 24 hours.

Cause: Cash Management procedures do not appear to be followed or enforced.

Effect: Due to possible errors in record keeping, supporting documentation may not be properly completed or misplaced. The effect of this is the school is out of compliance with maintaining supporting documentation.

Auditor's Recommendation: We recommend that policies and procedures be implemented that tracks and maintains all items relating to cash receipts as well as ensuring that all deposits are made within 24 hours of receiving checks and/or cash.

Management's Response: New procedures have been instituted requiring that the Secretary stamp all checks and supporting documents with the date received when she opens the mail. Copies of all available supporting documents are kept with copies of the deposit slips. Also all items are being deposited within 24 hours of receipt.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Los Puentes (Continued)

FS 06-123 Budgetary Conditions

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority.
Title I-IASA

Direct Instruction	11,694
Instructional Support	3,260
IDEA-B Entitlement	
Instructional Support	25,481
Public School Capital Outlay	
Operation/Maintenance	8,500

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 legal level of control. For school districts, the expenditure is the legal level of control.

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

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

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

Management's Response: Last Year it appears that the previous Business Manager did not obtain Barsto expend the additional funds received in certain funds. Funds expended did not exceed funds received but did exceed the approved budget. Los Puentes management, Finance Committee, and the Board are closely monitoring the budget and expenditures on a monthly basis this year and Bars being applied for when additional funding is authorized to be received.

FS 06-124 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund. Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations.

Effect: There could be incorrect or inappropriate journal entries posted to the general ledger.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

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ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Los Puentes (Continued)

FS 06-125 Inadequate Segregation of Duties in the Receipting Process

Condition: The Business Manager's duties include preparing bank reconciliations, depositing receipts into the bank and posting to the general ledger.

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

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

Effect: There is a lack of segregation of duties in 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: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

FS 06-126 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: The report sent to PED does not reflect what is in the general ledger.

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

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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Los Puentes (Continued)

FS 06-127 Compensated Absences

Condition: During our test work, it was noted that the School has a policy for paid time off, but does not keep track of the accumulated balances during the year for their employees.

Criteria: Good accounting controls require that paid time off be accounted for on an individual basis to ensure that all employees' balances are correct.

Cause: The School has not been reviewing compensated absences on a regular basis nor reconciling paid time off on an individual basis in a timely manner.

Effect: The School's employees may have received more paid time off than was allowed.

Auditor's Recommendation: The School should develop procedures to keep track of the employees paid time off through electronic spreadsheets to make sure that no employee is taking more time off than they have accumulated.

Management's Response: Management is in the process of implementing procedures that will allow the school's Apta financial system to keep track of employees' time off so that no employee is taking off more time than they have accumulated.

STATE OF NEW MEXICO
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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Montessori Elementary School

FS-06-128 Deposits Within 24 hours

Condition: During our review of Cash Receipt transactions and procedures, we noted that the two deposits (\$757.00 & \$2,802.74) were not deposited within the 24 hour requirement, and the bank receipt was also not on file. The deposits were traced to the bank statement.

Criteria: NMAC 6.20.2.14 states that monies received and receipted shall be deposited in the bank within 24 hours.

Cause: The School procedures and State of NM Statutes are not being properly followed by the School Administration.

Effect: By the School posting the receipts and dating it the same day as the bank deposit, the booked information is misleading since it appears that procedures were followed. As a result, the school is not in compliance with NMAC 6.20.2.14

Auditor's Recommendation: Segregation of duties is always an issue at small entities, however, in the interest of maintaining trustworthy records, the Principal and the Business Manager need to review the duties assigned, and restructure said duties to ensure procedural compliance with NMAC 6.20.2.

Management Response: The Management of TMES understands and acknowledges the finding. TMES has hired a new employee to handle and document all deposits.

FS-06-129 Lack Of Supporting Documentation

Condition: During our testwork we found 4 instances out of 10, totaling \$9,892.41 in which deposits had been posted to the general ledger without maintaining proper backup documentation on file; other than the bank receipt.

Criteria: Proper internal control procedures require the bank deposit slips have the numbers from applicable receipts entered on the slips or attached to them as references.

Cause: Cash Management procedures do not appear to be followed or enforced.

Effect: It is not possible to determine proper posting to the general ledger without sufficient backup documentation.

Auditor's Recommendation: We recommend the school implement procedures which ensure proper documentation is maintained to support all cash receipts received by the organization.

Management Response: The Management of TMES understands and acknowledges the finding. TMES has hired a new employee to handle and document all funds that need deposited.

STATE OF NEW MEXICO
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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Montessori Elementary School (Continued)

FS-06-130 Purchase Orders were overspent

Condition: 2 of the samples referenced Purchase Orders, where monies spent exceeded the amount of the Purchase Order. One Purchase Order was for \$1000, but all expenses against it totaled \$5,627.31 and the second Purchase Order was for \$30,000, but expenses against it totaled \$42,071.83

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

Cause: The School does not consistently utilize Purchase Orders in an effective manner resulting in a violation of 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.

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 Response: The Management of TMES issued change orders to cover the differences. All purchases do and will continue to require a purchase order. The PO for \$30,000 had approximately three change orders totaling approximately \$39,000 and the PO for \$1,000 had a change order for the amount over expensed. The management of TMES will continue to follow purchasing procedures as recommended.

FS 06-131 Bids

Condition: Contracts for the services of 2 independent contractors were not solicited for bid in accordance with NMAC 6.20.2.17.

Criteria: NMAC 6.20.2.17 and Procurement Code 13-1-21 and 13-1-30 states that school districts are required to solicit bids for contractor services over \$30,000.

Cause: The State Purchasing Code requires that bids should be obtained for all purchases over \$20,000 and \$30,000 in the case of professional services.

Effect: The School did not follow the state procurement requirements for contracted services. As a result, the School is in non compliance with NMAC 6.20.2.17 and the State Procurement Code 13-1-21.

Auditor's Recommendation: The School must adhere to NMAC 6.20.2.17 and Procurement Code 13-1-21 et seq. Non compliance with state statutes may result in reduction of funding.

Management Response: The Management of TMES tried to comply with 6.20.2.17 by soliciting bids in February of 2006 and did not receive any responses. In the future, TMES will go out to bid at the beginning of the school year when we project that a vendor will exceed the \$30,000 limit for a year.

STATE OF NEW MEXICO
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CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Montessori of the Rio Grande

FS 06-132 - Cash Receipts – Untimely Deposits

Condition: During our testwork, we noted fifteen receipts of the twenty-five tested that were not deposited within a 24 hour period or one banking business days.

Criteria: NMAC 6.20.2.6 states that deposits must be made within a 24 hour period from receipt of monies.

Cause: The following of the 24 hour deposit requirement is not being enforced at all levels.

Effect: The School did not remit checks and cash within the 24 hour period for deposit to banks. The School is in violation of NMAC 6.20.2.6.

Auditor's Recommendation: We recommend that the school familiarize itself with NMAC 6.20.2.6 and become compliant with the 24 hour deposit requirement.

Management's Response: Montessori of the Rio Grande Charter has developed and implemented policies and procedures which comply with State Statutes to deposit funds received within 24 hours of receipt. This condition improved during the fiscal year ended June 30, 2006. MRGC developed and implemented policies and procedures which comply with State Statutes to deposit funds received in a timely manner. MRGC personnel understood that, in accordance with the statute, if low volume or low amounts were received, deposits did not need to be within 24 hours of receipt. MRGC will modify its policy to specify "low volume" and "low amount."

FS 06-133 - Procurement

Condition: During testwork of State Auditor Compliance for procurement the School purchased a portable building totaling \$19,999. The School failed to obtain sealed bids for the purchase because they thought that if the invoice amount was under \$20,000 that they were not required to go out for bid.

Criteria: Per NMAC 6.20.2.17, Procurement Code Section 13-1-21 et. Seq., NMSA 1978, bids should be obtained for all purchases over \$10,000 and \$20,000 in the case of professional services.

Cause: The State Purchasing Code requires that bids should be obtained for all purchases over \$20,000 and \$30,000 in the case of professional services.

Effect: The School did not request sealed bids for the purchase of the modular building. As a result, the School is in non-compliance with the State Auditor and Procurement Code.

Auditor's Recommendation: We recommend the School to comply with the procurement code and obtain sealed bids for all purchases over \$10,000.

Management's Response: MRGC will adopt a policy to comply with the State Auditor and Procurement Code. We will obtain a sealed bid for all purchases over \$10,000 and all professional services over \$30,000.

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June 30, 2006

Montessori of the Rio Grande (Continued)

FS 06-134 - Budgetary Conditions

Condition: The School has actual expenditures that exceeded budgetary authority in the General Fund, Operations and Maintenance function by \$6,319.

Criteria: NMAC 6.20.2.9 (A) 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 expenditure function is the legal level of control.

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

Effect: The School has not complied with New Mexico law, and the control established by the use of budgets has been compromised. The School is in a violation of NMAC 6.20.2.9 (A) and 22-8-5 to 22-8-12.2 NMSA 1978.

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

Management's Response: MRGC adopted policies and procedures in Fiscal year ended June 30, 2006, which addressed this condition. The procedures were followed. The required BAR was due to PED several weeks prior to year end. As a result, year end expenditures were estimated. One functional area was underestimated, resulting in actual expenditures exceeding budget.

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June 30, 2006

Mountain Mahogany Charter School

FS 06-135 Cash not Reconciled

Condition: During fieldwork we noted that the bank reconciliations did not reconcile to General Ledger as of year-end.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This was caused by an undue reliance on the system.

Effect: The School did not properly "maintain" control over cash accounts due to a lack of timely reconciliations which could result in intentional errors left undiscovered.

Auditor's Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis and that reconciliations tie to the General Ledger.

Management's Response: The procedure now in place is as follows: a) bank statements are received by the Secretary and approved by the Director b) reconciliations are completed on a monthly basis by the Business Manager c) completed reconciliations are approved by the Director and retained on file.

FS 06-136 Travel and Per Diem

Condition: During testwork we noted the following conditions:

- One of the five transactions tested in the amount of \$89.60 did not have an approved purchase order or travel expense form.
- One of the five transactions tested in the amount of \$439.40 did not include a purchase order or travel expense form, and the payment was not approved.
- Two of the five transactions tested in the amounts of \$80.00 each did not have any accompanying supporting documentation.

Criteria: NMAC 6.20.2.19 requires the school to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4, for all per diem and reimbursement rates.

Cause: School travel policies and the Per Diem and Mileage Act regulations are not being enforced at all levels.

Effect: The school is in noncompliance with the Per Diem and Mileage Act, NMAC 6.20.2.19 Sections 10-8-1 through 10-8-4.

Auditors' Recommendations: We recommend that the school follow the Per Diem and Mileage Act when paying per diem and travel reimbursements.

Management's Response: Procedures are now in place as follows: a) a travel request form approved by Director, b) purchase requisition and purchase order issued by Business Manager and approved by Director, c) all supporting documentation and receipts submitted by employee, d) reimbursement made only for travel expenses that comply with the Per Diem and Mileage Act, sections 10-8-1 through 10-8-4, e) copy of check and check stub attached to all documentation.

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June 30, 2006

Mountain Mahogany Charter School (Continued)

FS 06-137 Journal Entries

Condition: During testwork we noted the following conditions:

- Two of the five transactions tested, one in the amount of \$1,544.97 and the other in the amount of \$3,061.67, did not include supporting documentation.

Criteria: All journal entries should be made in the year which incurred and supporting documentation should be kept for each journal entry made. According to 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.

Cause: The school recently began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund.

Effect: Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations. There could be incorrect or inappropriate journal entries posted to the general ledger.

Auditors' Recommendation: We recommend that the School keep supporting documentation on all journal entries and also implement the review of journal entries to ensure that all journal entries are posted in the correct period.

Management's Response: A journal entry for \$368.42 was entered, erroneously, in the wrong year and was reversed and entered into the correct year. This was for a check that was voided. Copies of back-up are included for the other two journal entries. School currently keeps documentation for all journal entries.

FS 06-138 Budget Adjustment Requests (BAR's)

Condition: During our testwork we noted that one of the five BAR's selected for testwork could not be found on the general ledger.

Criteria: 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."

Cause: This was an unintentional error by the School's staff.

Effect: The School is out of compliance with NMSA 1978 Section 6.20.2.10(A).

Auditors' Recommendation: We recommend that the School reviews the general ledger to ensure that all BAR's are including.

Management's Response: One Bar was not entered into the General Ledger. The Business Manager position was contracted and there were periods without a Business Manager and this was overlooked.

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June 30, 2006

Mountain Mahogany Charter School (Continued)

FS 06-139 941 Quarterly Reports

Condition: During our testwork, we noted that both the employer and employee portion of payroll taxes were being paid by the School.

Criteria: The employee portion of payroll taxes must be paid by the employee incurring these fees.

Cause: There are no controls in place ensuring that employee payroll taxes were not to be paid by the School.

Effect: Due to possible errors in record keeping, supporting documentation may not be properly completed or misplaced and the school is in compliance with NMAC 6.20.2.18

Auditor's Recommendation: We recommend that the School take steps to ensure that the employee portion of payroll taxes are being deducted from the employee's check and that each employee is correctly set up in the payroll system.

Management's Response: The current business manager discovered that FICA payroll taxes had not been deducted on two employees for a portion of the year because a button had been un-clicked in APTA. The Business Manager brought it to the Auditor's attention in order to clarify and resolve the problem. All payroll registers are examined closely to assure that payroll deductions are correct and that they have not been erroneously deleted in the system.

FS 06-140 Business Licensure

Condition: During the audit, we noted that the District did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a District is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico regulations which require that Business Manager or equivalent obtain a license from the State.

Effect: The result was that the District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The District must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: The Business Manager's were contracted from other schools last year and were assumed to have licenses. The school should have requested copies of those licenses and would have discovered that they were indeed unlicensed. Currently, the Business Manager is licensed.

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June 30, 2006

Mountain Mahogany Charter School (Continued)

FS 06-141 Budgetary Conditions

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

General Fund	
Administration	9,598
IDEA-B Entitlement	
Direct Instruction	4,810
Instructional Support	5,842
State Stimulus	
Business & Support	318
Public School Capital Outlay	
Capital Outlay	32,950

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 expenditure is the legal level of control.

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

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

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 did not exceed budgetary authority in any functions. Currently, the school has a budget committee that regularly reviews budget and makes any necessary recommendations & adjustments.

FS 06-142 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: All journal entries should contain the appropriate documentation that allows the reviewer to understand why the entry needs to be made. By having supporting documentation, it mitigates the risk of an entry that is fraudulent to be posted to the system.

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.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

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Mountain Mahogany Charter School (Continued)

FS 06-143 Inadequate Segregation of Duties in the Receipting Process

Condition: The Business Manager's duties include preparing bank reconciliations, depositing receipts into the bank and posting to the general ledger.

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

Cause: The lack of segregation of duties is the result of a lack of qualified employees which has left the business manager handling most of 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 compliant with State Statute.

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: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

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June 30, 2006

Native American Community Academy

FS 06-144 Pledged Collateral

Condition: During the year ended June 30, 2006 the school maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the school did not 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 6-10-17.

Cause: School personnel did not anticipate receiving as much money as they did at year end.

Effect: The school is not in compliance with the pledged collateral requirement. Additionally, the school has been exposed to potential uninsured losses.

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 bank sent a Memorandum dated October 11, 2006 showing that deposits were collateralized. Since then we have received a monthly report.

FS 06-145 Internal Controls Over Non-Standard Journal Entries

Condition: According to 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.

Criteria: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system in accordance with NMAC Section 6.20.2.11.

Cause: The School has not established segregation of duty controls over 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.

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

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

North Albuquerque CO-OP

FS 06-146 Pledged Collateral

Condition: During the year ended June 30, 2006 the school maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral as required by the State of New Mexico Statutes. On June 30, 2006 the school did not 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 6-10-17.

Cause: School personnel did not anticipate receiving as much money as they did at year end.

Effect: The school is not in compliance with the pledged collateral requirement. Additionally, the school has been exposed to potential uninsured losses.

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: They were quite aware of and understand what this requirement means. They were unable to ascertain that they receive letters of confirmation from their bank, First Community on a quarterly basis. They have placed a call to their bank contact and have asked her to investigate how they can have these sent on a monthly basis. They have established the process with the bank and will continue to comply with the mandatory state statute.

FS 06-147 Budgetary Conditions

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

Federal Stimulus	
Administration	3,950
Business & Support	22,160

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 expenditure is the legal level of control.

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

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

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

Management's Response: North Albuquerque CO-OP will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

North Albuquerque CO-OP (Continued)

FS 06-148 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: The school began operations and is continually updating its policies and procedures manual. The school has not developed a review and approval process for non-standard journal entries in AptaFund. Charter schools must have the ability to monitor the operation of the accounting department as outlined in applicable regulations.

Effect: There could be incorrect or inappropriate journal entries posted to the general ledger.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies ad procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Nuestros Valores

FS 06-149 Cash not Reconciled

Condition: During fieldwork we noted that bank reconciliations did not reconcile to the general ledger as of year-end.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This was caused by an undue reliance on the system to perform the function automatically.

Effect: The effect is that the School cannot be sure of their cash balance without performing the required reconciliations.

Auditor's Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis and that all general ledger accounts are being reconciled appropriately.

Management's Response: Monthly bank reconciliations are now prepared by the Deputy Finance Officer by the 15th of the month. The Business Manager verifies and approves the bank reconciliations and makes any adjustments necessary to the general ledger. All difference between Bank and Book will be posed in the month reconciled. Reports will be reviewed by the Principal and approved by the Business Manager at a monthly financial meeting.

FS 06-150 Stale Dated Check

Condition: During our cash test work, we noted eight checks, that total \$1,616.75 that were written over a year ago listed as an outstanding check on the bank reconciliation. The school is in violation of state statute regarding stale dated checks.

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.

Cause: Procedures and reviews are not in place that address the outstanding check listing, specifically stale dated checks.

Effect: The School may be understating cash and is not in compliance with State Statute.

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

Management's Response: As part of the monthly reconciliation process, all outstanding checks older than one year will be voided. Stop payment notice from bank will be filed with monthly bank reconciliation. All checks identified as stale dated have been cancelled as of year end.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Nuestros Valores (Continued)

FS 06-151 Difference with General Ledger and 941 Reports

Condition: 941 Form reports did not reconcile to the general ledger for the year ended June 30, 2006.

Criteria: Per 2.2.2 NMAC Audit Rule and State Statute requires 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 audit or examination." Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Cause: School is not periodically reconciling to the general ledger to what is being reported on the Internal Revenue Service 941 Forms.

Effect: This may result in penalties and interest being assessed to the school for possible additional taxes due.

Auditor's Recommendation: The school must reconcile the general ledger to 941 Forms submitted to the Internal Revenue Service. A periodic reconciliation will reduce the possibility of an assessment of penalties and interest related to payroll taxes.

Management's Response: 941 forms will be reconciled to the general ledger quarterly. The Business Manager will review and sign all 941 forms.

FS 06-152 Budgetary Conditions

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

Title I

Direct Instruction

227

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 expenditure is the legal level of control.

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

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

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

Management's Response: Nuestros Valores Business Manager will prepare and adopt an annual budget in accordance with statutory requirements. Increases, decreases and adjustments to the finalized budget are presented to the State Department of Education for approval. Once all approvals are in place, the change is recorded to Business Office Financial Management System and the adjustment is made to the original budget.

- Budget Adjustment Requests – Transfers between expenditure codes outside of the same function are presented to the Governance Board for approval. The Approved Budget Adjustment Request (B.A.R.) is then sent to the State Department of Education for approval. Once all approvals are in place, the change is recorded to the Financial Management System a an adjustment to the original budget.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Nuestros Valores (Continued)

FS 06-153 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: All journal entries did not contain the appropriate documentation that allows the reviewer to understand why the entry needs to be made.

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.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

FS 06-154 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

Effect: The report send to PED does not reflect what is in the general ledger, resulting in a 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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Nuestros Valores (Continued)

FS 06-155 Segregation of Duties

Condition: The Business Manager performs all the duties and functions that are required to process payroll without review of another party and also enters new employees into the accounting system.

Criteria: Segregation of duties in payroll and other processes, as indicated in NMAC Section 6.20.2.11, is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities.

Cause: Due to the limited resources, the School relies on the expertise of one individual to process the Charter's payroll. Limited resources and the Business Manager expertise in this process appears to result in lack of segregation of duties.

Effect: Without adequate segregation of duties or a formal review process, errors may be made without detection as well as intentional "ghost" employees.

Auditor's Recommendation: Develop a formal review process for the payroll transaction cycle. Implement procedures which require that the other individual's to be trained in the payroll process and periodically perform the payroll function. The school should also separate the ability for the same person who enters payroll to also enter new employees into the accounting system.

Management's Response: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Public Academy for Performing Arts

FS 06-156 Payroll – Lack of Documentation

Condition: During test work we noted the following conditions:

- 1 of 5 employees did not have a timesheet in personnel file.
- 2 of 5 employees' did not have appropriate authorizations for deductions.
- 2 of 5 employees' did not have certification in file.
- 1 of 5 employees did not have authorization of pay rate.

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

Cause: Due to possible errors in record keeping, supporting documentation may not be properly completed or misplaced

Effect: The school is out of compliance with NMAC 6.20.2.18.

Auditor's Recommendation: We recommend the School follow NMAC 6.20.2.18 to ensure all required payroll related documentation is completed and properly filed.

Management's Response: They have verified that all employees have timesheets where necessary. They have verified that there are appropriate authorizations for deductions for all employees. They have verified that all employees have signed contracts with stated rates of pay. And some staff are not certified teachers, although they are certified in the areas of their specialty, such as martial arts. They are working with the State of New Mexico to determine the best way to address these issues.

FS 06-157 Federal Cash Requirements

Condition: The School, at times, is required to "borrow" between funds while it awaits reimbursement from its grant awardees.

Criteria: State Regulation 6.20.2.23 (B) (1) and (2), NMAC, dictate that Federal grant provisions do not allow for federal funds to subsidize other grants and/or programs.

Cause: Cost reimbursement grants are periodically delayed in providing funds to the School.

Effect: The School risks the possibility of being in noncompliance with federal grant provisions if the practice continues to occur.

Auditor's Recommendations: The School must monitor federal program cash management requirements to insure that federal funds are not used to supplant other programs, federal or state.

Management's Response: The School has a new Business Manager. Although documents from prior Business Manager were unobtainable, all federal disbursements have now been compliant with audit requirements and State of New Mexico requirements.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Public Academy for Performing Arts (Continued)

FS 06-158 Disbursement – Lack of Purchase Order Authorization

Condition: We noted two out of five transactions, in the amount of \$162.00 and \$310.42 that contained no PO.

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

Cause: The School does not consistently utilize Purchase Orders in an effective manner resulting in a violation of 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.

Auditor's Recommendation: We recommend that policies and procedures be established that outlines the method of issuing a check for any services and/or goods received, and that these procedures be communicated to the staff.

Management's Response: Policies and procedures are in place that complies with NMAC 6.20.2.17, and these policies have been communicated to the staff. All purchases are processed with either a blanket PO or a regular PO to avoid this condition in the future.

FS 06-159 Cash Receipts – Lack of Documentation

Condition: We noted the following during our test work:

- 4 out of 5 transactions did not contain supporting documentation.
- 1 out of 5 transactions we were unable to determine date of receipt.
- 1 out of 5 transactions where deposit was not made within 24 hours.

Criteria: All cash receipts are required to have supporting documentation; including receipt of deposit that indicates deposit was made within 24 hours.

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

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.

Auditor's Recommendation: We recommend that policies and procedures be implemented that tracks and maintains all items relating to cash receipts as well as ensuring that all deposits are made within 24 hours of receiving checks and/or cash.

Management's Response: All cash receipts are now copied prior to deposit for supporting documentation. All cash receipts are now dated to verify date of receipt and all deposits are now made within 24 hours of receipt.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Public Academy for Performing Arts (Continued)

FS 06-160 Travel and Per Diem

Condition: We noted during our test work that 4 out of the 5 transactions that total \$609.50 did not contain any supporting documentation that supported the reimbursement.

Criteria: The Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, states that all travel and mileage rates be paid in accordance with set rates and that proper procedures are in place to account for allowable travel and per diem reimbursements.

Cause: School travel policies and the Per Diem and Mileage Act regulations are not being enforced at all levels.

Effect: The school reimbursed in excess of the amount allowed by the Per Diem and Mileage Act. The School is in violation of the Per Diem & Mileage Act and its own policies.

Auditor's Recommendation: The school should implement travel policies and procedures as well as a request for travel form that is filled out by all employees who have to travel and then have a designated individual that verifies and authorizes the travel reimbursement requests.

Management's Response: Travel policies and procedures similar to those of APS have been implemented. Additionally, a Request for Travel form and a mileage reimbursement form have been initiated and implemented.

FS 06-161 Stale Dated Checks

Condition: During our cash test work, we noted one check, in the amount of \$475.52 that were written over a year ago listed as an outstanding check on the bank reconciliation. The school is in violation of state statute regarding stale dated checks.

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.

Cause: Procedures and reviews are not in place that address the outstanding check listing, specifically stale dated checks.

Effect: The School may be understating cash and is not in compliance with State Statute.

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

Management's Response: Based on the auditor's recommendations, the outstanding check has been voided, and checks are tracked regularly through bank reconciliations on a monthly basis.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Public Academy for Performing Arts (Continued)

FS 06-162 Budgetary Conditions

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

Instructional Support	
Instructional Support	1,518
Public School Capital Outlay	
Operation/Maintenance	1,557

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 expenditure is the legal level of control.

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

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

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

Management's Response: Budgetary transfers are now done prior to purchases in order to alleviate the over-expenditures that occurred. Budget oversight is done on a monthly basis to eliminate these types of issues.

FS 06-163 Segregation of Duties

Condition: The Business Manager performs all the duties and functions that are required to process payroll without review of another party and also enters new employees into the accounting system.

Criteria: Segregation of duties in payroll and other processes, as indicated in NMAC Section 6.20.2.11, is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities.

Cause: Due to the limited resources, the School relies on the expertise of one individual to process the Charter's payroll. Limited resources and the Business Manager expertise in this process appears to result in lack of segregation of duties.

Effect: Without adequate segregation of duties or a formal review process, errors may be made without detection as well as intentional "ghost" employees.

Auditor's Recommendation: Develop a formal review process for the payroll transaction cycle. Implement procedures which require that the other individual's to be trained in the payroll process and periodically perform the payroll function. The school should also separate the ability for the same person who enters payroll to also enter new employees into the accounting system.

Management's Response: In order to address the issue of segregation of duties, the following changes have been made. One person receipts and submits money to the Business office. A different person verifies the receipts and money submitted and creates the deposit for the bank. The Business Manager posts to the general ledger and prepares the bank reconciliation.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Public Academy for Performing Arts (Continued)

FS 06-164 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

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

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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

FS 06-165 Internal Controls Over Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

Criteria: According to 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.

Cause: All journal entries did not contain the appropriate documentation that allows the reviewer to understand why the entry needs to be made.

Effect: By having supporting documentation, it mitigates the risk of an entry that is fraudulent to be posted to the system. The School was not in compliance with State Statute.

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 non-standard journal entries are reviewed and approved.

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Ralph Bunche Academy

FS 06-166 Budgetary Conditions

Condition: The School has one expenditure function where actual expenditures exceeded budgetary authority per review of the Schools PED Report.

Criteria: Sound financial management and 6-6-6 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the expenditure function is the legal level of control.

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

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

Auditors' Recommendation: The School should establish a policy of budgetary review at to be performed throughout the year and at year-end, and make the necessary budget adjustments.

Management's Response: The current administration has implemented policies and procedures to insure compliance with all statutes and regulations.

FS 06-167 Purchasing

Condition: During our test work of we noted items tested that did not contain applicable supporting documentation, i.e. invoice, purchase order, etc. We also noted disbursement's which was incorrectly coded to the general ledger.

Criteria: According to State Audit Rule 2.2.2.10 (G) (1) and 13-1-1 through 13-1-199 NMSA 1978, cash disbursements are required to be supported by adequate documentation and be recorded within the correct expenditure account.

Cause: It appears that some checks may have been misfiled, some invoices have been paid without adequate supporting documentation and some expenditures may have been charged to incorrect general ledger accounts.

Effect: The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC. These lack of controls and deficiencies in purchasing place the School in noncompliance with the State Audit Rule as well as NMSA 1978.

Auditors' Recommendations: Controls over purchasing should be tightened to ensure compliance with purchasing requirements.

Management's Response: The current administration has implemented procedures which include internal controls to ensure compliance with purchasing requirements.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Ralph Bunche Academy (Continued)

FS 06-168 PED Reports

Condition: Audit procedures performed at the school indicated that the June 30, 2006 PED report was not remitted to PED timely and or accurately. The PED report apparently was not submitted accurately as expenditures were recorded as general fund transactions rather than in state and federal planning funds.

Criteria: According to Regulation 6.20.2.14 SBE-6, reports submitted to the Public Education Department (PED) must agree to the general ledger. The regulation also requires that the reports be submitted no later than thirty days following the School's fiscal year end.

Cause: When performed properly, the PED reports and the general ledger will agree due to the School operating on a cash basis and expenditures and revenues will be in proper funds maintained and received by the School for the year. In addition, the school was behind in closing out certain funds for the fiscal year end records which resulted in the school's late remittance of its PED report for June 30, 2006.

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

Auditor's Recommendations: School officials must insure that PED reports, as well as the recording of financial activity is processed and performed in compliance with PED requirements. This includes the agreement of the reports to financial transaction activity recorded for the schools records and insuring timely filing of reports.

Management's Response: The school books and records have been reconciled during the current fiscal year. Procedures have been implemented to insure timely and accurate reporting.

FS 06-169 Segregation of Duties

Condition: The Business Manager performed all duties and functions related to cash disbursements without review of another knowledgeable member of management.

Criteria: Segregation of duties within the cash disbursement and other processes, as indicated in NMSA 6.20.2.11, is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities.

Cause: Due to limited resources, the school relied on one individual to process the schools cash disbursements.

Effect: There appears to have been a lack of required segregation of duties and a violation of NMAC 6.20.2.11. Lack of segregation of duties or a formal review process may result in errors or fraudulent activity without detection.

Auditor's Recommendation: The District should establish a formal review process for all transaction cycles and implement the procedures for the new school year.

Management's Response: A review process has been implemented with the office staff and business manager. A monthly review of activity is also occurring. The school will document the process to be followed and the results of the monthly review.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Ralph Bunche Academy (Continued)

FS 06-170 Allowable Costs

Condition: During audit procedures, it was noted that expenditures that were processed and charged to the incorrect funds and included expenditures which were in noncompliance with State Statutes. During the 2006 fiscal year, such questioned costs included contract expenses of the school, as well as other expenditures.

Criteria: According to State of New Mexico 22-25, funds are required to expended in compliance with state statutes and guidelines as well as grant provisions.

Cause: The School failed to insure the program followed grant provisions with regards to allowable costs and state regulations as defined by NMSA 22-25.

Effect: The School is not in compliance with grant and state allowable cost compliance requirements.

Auditor's Recommendation: The School must insure compliance with grant provision and state guidelines with regards to expenditures as stipulated in NMSA 22-25. In order to insure compliance with these provisions, there should be periodic oversight of expenditures.

Management's Response: The current administration has implemented review procedures to insure compliance with all grant requirements.

FS 06-171 Licensure

Condition: During the audit, we noted that the School did not comply with NMAC during fiscal year 2006.

Criteria: According to State of New Mexico regulation 6.63.12, a School is required to maintain an individual on staff; employed within the finance department who maintains a Business Manager license with the State of New Mexico.

Cause: The School did not keep up to date with new State of New Mexico regulations which required that Business Manager or equivalent obtain a license from the State.

Effect: The result was that the District operated without a licensed individual during the 2006 fiscal year and was in noncompliance with State regulations.

Auditor's Recommendation: The School must insure compliance with State of New Mexico regulations and license necessary individuals within the finance department.

Management's Response: The school is now compliant with the regulation for licensed business managers.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Ralph Bunche Academy (Continued)

FS 06-172 Bids

Condition: Contracts for the services of 2 independent contractors in the amounts of \$100,000 and \$48,000 were not solicited for bid in accordance with NMAC 6.20.2.17.

Criteria: NMAC 6.20.2.17 and Procurement Code 13-1-21 and 13-1-30 states that schools are required to solicit bids for contractor services over \$30,000.

Cause: The school did not follow the state procurement requirements for contracted services.

Effect: The school is in non compliance with NMAC 6.20.2.17 and the State Procurement Code 13-1-21.

Auditor's Recommendation: The Charter School must adhere to NMAC 6.20.2.17 and the Procurement Code 13-1-21 et seq., noncompliance with state statutes may result in reduction of funding.

Management's Response: The school has implemented procedures that insure compliance with state procurement laws.

FS 06-173 Contracted Services

Condition: The Schools President during the 2006 fiscal year maintained an employee-employer relationship with a major contractor of the School. Questionable transactions included sharing an office and business line, advance payments to the contractors in violation with State Statutes, etc.

Criteria: Article 21, section 22-21-1 of NMSA 1978, states that "...a member of a local school board ... shall not, directly or indirectly, sell or be party to any transaction to sell any instructional material, furniture, equipment, insurance, school supplies or work under contract to the Department of Education, school district or public school with which he is associated or employed."

Cause: The school did not maintain proper segregation of duties

Effect: The school is in violation of State Procurement and Anti-Donation Statutes.

Auditor's Recommendation: The Charter School must implement policies and procedures to insure compliance with State of New Mexico Statutes.

Management's Response: The current administration and governing council is aware of the statute and has implemented procedures and training to insure compliance.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Ralph Bunche Academy (Continued)

FS 06-174 Internal Control Structure

Condition: The School did not maintain an internal control structure in accordance with State Statutes.

Criteria: Per NMAC 6.20.2.11, Internal Controls Structure Standards, every school 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 the transactions are executed in accordance with the management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Cause: The school did not maintain proper internal control structure as expenditures were processed without proper approval and were coded to incorrect accounts and funds.

Effect: This resulted in the school violating State Statutes, the State Procurement Act and the submittal of inaccurate reports to the Public Education Department.

Auditor's Recommendation: The Charter School must implement policies and procedures to insure compliance with State of New Mexico Statutes and to establish an internal control structure which safeguards the school's assets.

Management's Response: The school was in the planning stages for the fiscal year under audit. The current administration has implemented procedures to insure internal controls over the schools assets. Included is the implementation of a school financial system and oversight of purchasing.

FS 06-175 Abuse of Funds

Condition: The School improperly made advance payments to a vendor without verification of services being rendered. These payments are a violation of State Statutes and create a possible uncollectible receivable from the vendor of \$82,306 as of June 30, 2006. .

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

Cause: The school made advance payments of federal and state funds to a contractor as a result of poor internal controls, segregation of duties and management decisions.

Effect: This resulted in questionable costs and the abuse and misappropriation of public funds. The school has created a receivable at year end for the advances, however the collect ability of these advances is not known.

Auditor's Recommendation: The Charter School must implement policies and procedures to insure compliance with State of New Mexico Statutes to reduce possible abuses of public funds and insure allow ability of expenditures processed for the school.

Management's Response: The current administration has implemented procedures to insure no advance payments as required in statute. The school is working with the vendor to collect any unearned funds.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Ralph Bunche Academy (Continued)

FS 06-176 Anti-Donation

Condition: The School and its landlord processed an amendment of the facility lease without due process or compensation for the amendment. The lease does not stipulate details of the lease requirements, i.e. square footage, improvements, access, etc.

Criteria: All transactions processed by a public entity require the entity to receive a benefit for related compensation, i.e. the Anti-Donation Act.

Cause: The school was in need of a facility and may have rushed into a lease agreement that was not properly processed and did not adhere to State of New Mexico facility specifications of providing educational activities.

Effect: It appears that the transaction indicates a violation of the Anti-Donation Clause of the State of New Mexico Constitution.

Auditor's Recommendation: The Charter School insure that transactions such as the lease of facilities meet the specifications required by the State of New Mexico relation to educational activities. Also, all such transactions must not violate the State of New Mexico Ant-Donation clause.

Management's Response: The governing council and current administration with the help of legal counsel have worked with the landlord to address this issue. Final resolution has not been determined at this time.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Robert F. Kennedy

FS 06-177 Cash Receipts – Untimely Deposits

Condition: During our testwork, we noted one of the eight receipts tested that were not deposited within a 24 hour period or one banking business days.

Criteria: NMAC 6.20.2.6 states that deposits must be made within a 24 hour period from receipt of monies.

Cause: The following of the 24 hour deposit requirement is not being enforced at all levels.

Effect: The Robert F. Kennedy School did not remit checks and cash within the 24 hour period for deposit to banks and the School is in violation of NMAC 6.20.2.6.

Auditor's Recommendation: We recommend that the school formalize and implement procedures which insure compliance with NMAC 6.20.2.6.

Management's Response: It was not clear as to when the deposit identified was actually received by Robert F. Kennedy School. We have implemented a log sheet to log in all cash and checks that are received through the mail system or in person. Policy is in place to deposit all funds within 24 hours.

In accordance with the State Auditor's rule, this finding and an audit conducted by the charter school dated September 12, 2006 was communicated verbally by APS staff to the State Auditor on December 22, 2006 and a follow up written report from APS was sent on January 5, 2007.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Robert F. Kennedy (Continued)

FS 06-178 Budgetary Conditions

Condition: The School has actual expenditures that exceeded budgetary authority in IDEA B, Direct Instruction function by \$2,232 and Beginning Teacher Mentoring, Direct Instruction function by \$151.

Criteria: NMAC 6.20.2.9 (A) 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 expenditure function is the legal level of control.

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

Effect: The School may have overspent on its budget. The School is in violation of NMAC 6.20.2.9 (A) and 22-8-5 to 22-8-12.2 NMSA 1978.

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 excess expenditures should have been transferred into the Operational Fund. Both grants are reimbursement type grants, and the reimbursement requested was for only the amount authorized. Budgetary review is now occurring monthly.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

School for Integrated Academics to Technologies

No findings for the fiscal year June 30, 2006

South Valley Academy

FS 06-179 Cash not Reconciled

Condition: During fieldwork we noted that the bank reconciliations were not complete as of year-end.

Criteria: According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

Cause: This was caused by turnover in business management near the end of the year, and a delay occurred in finding a replacement.

Effect: The School did not properly "maintain" control over cash accounts lack of timely reconciliations could result in intentional errors left undiscovered.

Auditor's Recommendation: We recommend that someone is designated to perform the reconciliations and a review process is in place to ensure accurate cash reporting on a monthly basis.

Management's Response: Bank reconciliations are being reconciled by the new business manager on a timely basis and will be reviewed by the head teacher on a monthly basis to ensure accurate reporting of cash.

FS 06-180 Federal Cash Requirements

Condition: The School, at times, borrows from federal funds.

Criteria: State Regulation 6.20.2.23 (B) (1) and (2), NMAC, dictate that Federal grant provisions do not allow for federal funds to subsidize other grants and/or programs.

Cause: Cost reimbursement grants are periodically delayed in providing funds to the School.

Effect: The School risks the possibility of being in noncompliance with federal grant provisions if the practice continues to occur.

Auditor's Recommendations: The School must monitor federal program cash management requirements to insure that federal funds are not used to supplant other programs, federal or state.

Management's Response: The School has a new Business Manager. Although documents from prior Business Manager were unobtainable, all federal disbursements are now compliant with audit requirements and State of New Mexico requirements.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

South Valley Academy (Continued)

FS 06-181 Lack of Authority Signatory on Payroll Registers

Condition: During our review of payroll, we noted out of all of the payroll registers that we reviewed, 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.

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

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

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: A process is currently in place that all payroll register reviews are reviewed and approved by the head teacher and assistant head teacher prior to payroll processing.

FS 06-182 Disbursement – Lack of Authorization

Condition: We noted two transactions (\$1,115.00 and \$300.00) out of ten that contained no authorization or improper authorization.

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

Cause: All disbursements made by the School did not have evidence of proper authorization regarding internal controls.

Effect: The School could make purchases that are not authorized which it would be responsible for. The School is not in compliance with State Statute.

Auditor's Recommendation: We recommend that policies and procedures be established that outlines the method of issuing a check for any services and/or goods received, and that these procedures be communicated to the staff.

Management's Response: A process is in place that all requisitions are reviewed and signed by the head teacher prior to issuing a check for any service and/or goods received. All staff is aware of the process for purchasing services and/ or goods..

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

South Valley Academy (Continued)

FS 06-183 Budgetary Conditions

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

General Fund

Business & Support Services	1,700
Operation/Maintenance	6,301
Instructional Support	
Instructional Support	807
IDEA-B Entitlement	
Instructional Support	8,619
National Endowment for Humanities	
Instructional Support	3,668
Public School Capital Outlay	
Operation/Maintenance	8,908
Capital Outlay	95,283

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 expenditure is the legal level of control.

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

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

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

Management's Response: South Valley Academy will implement policies and procedures in its internal controls to ensure that budgets do not exceed the legal level of control.

FS 06-184 Internal Controls Over Non-Standard Journal Entries

Condition: According to 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.

Criteria: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system in accordance with NMAC Section 6.20.2.11.

Cause: The School has not established segregation of duty controls over 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.

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

Management's Response: The School will update its policies and procedures manual regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed and approved.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

South Valley Academy (Continued)

FS 06-185 PED Reports

Condition: The School's report to the Public Education Department did not match 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.

Cause: Appropriate personnel are not in place to properly complete and review the PED report to ensure that it reconciles to the general ledger.

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

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 has changed and the new Business Manager has implemented new policies and procedures and placed them into effect.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Youth Build

FS 06-186 Anti-Donation

Condition: During our test work of travel & per diem, we noted a credit card payment made that included two charges that should not have been paid. A charge for cardholder security (\$68.67) and Finance Charges (\$201.33). These expenses are the responsibility of the cardholder, not Youth Build. Since Youth build does not have its own credit card, it used the Board President's card.

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

Cause: The school was paying the credit card bill for Travel charges and inadvertently paid other charges.

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

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

Management's Response: YBBT no longer use credit cards to book conference and travel, we use a travel agent and use check to cover costs. YBBL will reimburse YBTT for security charge and finance charge.

FS 06-187 Procurement & Purchase Orders

Condition: During our test work of State Auditor Compliance for procurement, the School reimbursed the Foundation for expenses relating to the construction costs to bring the school up to code, ADA & fireproofing. The Encumbrance was not processed until 12/5/05 for expenditures dated 10/12/05 and 11/22/05.

Criteria: NMAC 6.20.2.17 states that purchase orders should be requested and issued prior to the purchase of goods & services.

Cause: The School did not process the purchase order prior to the purchase of items.

Effect: The School is in a violation of NMAC 6.20.2.17.

Auditor's Recommendation: We recommend that the school review the procurement code to ensure the funds are encumbered prior to the purchases.

Management's Response: YBBL invoiced YBTT on 10/12/05 for ADA, Fire & Safety Construction Costs. Purchase order was generated on 12/5/06. Funds could not be encumbered until PED approved the BAR

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

Youth Build (Continued)

FS 06-188 Segregation of Duties

Condition: The business manager performs all the duties and functions that are required in the accounting function. There is no review of the accuracy of the business manager's work by any other responsible persons.

Criteria: Segregation of duties in all financial areas, as indicated in NMSA 1978 Section 6-6-3, is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities.

Cause: Due to limited resources, the School relies on the expertise of one individual to process the School's accounting transactions.

Effect: Without segregation of duties or a formal review process, errors may be made without detection.

Auditor's Recommendation: We recommend the school develop a formal review process for all financial transactions.

Management's Response: The school will develop a formal review process that will involve the school principal and office staff.

FS 06-189 Budgetary Conditions

Condition: Actual expenditures exceed the budget in the Federal Stimulus fund in the Administration function by \$3,696.

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 expenditure function is the legal level of control.

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

Effect: The School has not complied with NMAC 6.20.2.9 and NMSA 1978 22-8-5 to 22-8-12.2, and the control established by the use of budgets has been compromised.

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 will insure that budget adjustments are made prior to year end.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS

FA 06-1: USDA - Allowable Costs

Federal program information:

Funding agency:	U.S. Department of Agriculture
Title:	National School Lunch Program
CFDA number:	10.555
Award year and number:	June 30, 2006

Condition: We noted one expenditure during our audit procedures for which the District did not maintain adequate supporting documentation.

Criteria: According to Circular OMB A-87, to be allowable under Federal awards, costs must adequately documented.

Questioned Costs: \$8,123.04.

Cause: The District's policy is to maintain supporting documentation for all expenditures processed through the cash disbursement transaction cycle. It appears that the policy was not followed in the case noted and adequate documentation was not retained.

Effect: The District may have processed an expenditure which was not allowable under federal guidelines.

Auditor's Recommendation: We recommend that adequate supporting documentation accompany cash disbursements as required by the District's policy and Circular OMB A-87.

Management Response: The District will make every effort to ensure that adequate supporting documentation will accompany cash disbursements.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS -- FEDERAL AWARDS (CONTINUED)

FA 06-2: Allowable Costs USDA Payroll

Federal program information:

Funding agency:	U.S. Department of Agriculture
Title:	National School Lunch Program
CFDA number:	10.555
Award year and number:	June 30, 2006

Condition: The District does not certify, through the use of timesheets or otherwise, charges for salaries and wages at least semi-annually for individuals who work solely on the UDSA grant. Additionally, the District does not prepare personnel activity reports for those individuals working for multiple programs at least monthly. Per the Districts policies, payroll time clocks are not utilized for hourly employees. It is assumed that all hourly employees work 80 hours for the pay period unless sick or annual leave is requested.

Criteria: OMB A-87 section 8(h) requires that charges for salaries and wages of individuals working for federal programs 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 employee or supervisory official having first hand knowledge of the work performed by the employee. In the case for which an employee works on multiple programs, personnel activity reports or equivalent documentation must reflect an after the fact distribution of the actual activity of each employee and be prepared at least monthly and must coincide with one or more pay periods.

Questioned Costs: None.

Cause: Per the Districts policies, payroll time clocks are not utilized for hourly employees. It is assumed that all hourly employees work 80 hours for the pay period unless sick or annual leave is requested.

Effect: The program may be granting federal assistance on non-certified payroll expenditures and be out of compliance with OMB A-87.

Auditor's Recommendation: We recommend the District implement procedures which allow the District to comply with OMB A-87 and applicable grant provisions.

Management Response: The District will implement a system which will allow the district to comply with OMB A-87 and applicable grant provisions through a process of supervisory certification.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS (CONTINUED)

FA 06-3: USDA - Eligibility

Federal program information:

Funding agency:	U.S. Department of Agriculture
Title:	National School Lunch Program
CFDA number:	10.555
Award year and number:	June 30, 2006

Condition: During audit procedures relating to eligibility for the School Lunch Program, we noted a student which was receiving assistance under the program that was not eligible based on the documentation maintained by the District.

Criteria: A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size.

Questioned Costs: None.

Cause: Information provided by the applicant was confusing and program staff made an effort to clarify before final approval. However, information gathered at this time was not documented in the applicants file. The program attempted to contact the applicant for information during the audit, but the applicant refused to comply.

Effect: The program approved a family for reduced lunches that was not eligible.

Auditor's Recommendation: We recommend that program management review a sample of applicants chosen for verification to determine if procedures are being followed. We also recommend that questionable documentation be fully reviewed and researched before final approval is given.

Management Response: Annual review of verification is preformed as part of the CRE process. All questionable documentation will be reviewed before final approval is given.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS (CONTINUED)

FA 06-4: Title I - Internal Controls

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Title I
CFDA number:	87.010
Award year and number:	June 30, 2006

Condition: During the test work and review of payroll expenditures for Title I, we noted several item in which pay rates did not agree with the contract file, pay rates which did not indicate a basis and individuals who did not submit time cards.

Criteria: According to federal guidelines, OMB A-87, the grant is required to expend program funds in compliance with grant provisions and federal guidelines.

Questioned Costs: None.

Cause: The District failed to insure the program followed grant provisions with regards to internal controls and possibly with allowable costs and federal regulations.

Effect: The District is not in compliance with grant and federal allowable cost compliance requirements.

Auditor's Recommendation: The District must insure compliance with grant provision and federal guidelines with regards to allowable costs. In order to insure compliance with these provisions, there should be periodic oversight of federal expenditures for each federal program.

Management Response: The District will ensure compliance with grant provision and federal guidelines with a periodic oversight of federal expenditures for each federal program.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS (CONTINUED)

FA 06-5: Reporting

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Title and Title IIA
CFDA number:	87.010 and 84.367
Award year and number:	June 30, 2006

Condition: During the test work we noted instances in which it appear that funding was not provided to charter school's within a timely manner, i.e. 30 days within the request for reimbursement.

Criteria: According to federal guidelines and grant provisions, the grant is required to deliver sub-recipient funding in a timely manner.

Questioned Costs: None.

Cause: The District failed to insure the program followed grant provisions with regards to special provisions and sub-recipient monitoring.

Effect: The District is may not be in compliance with grant provisions stipulated in the federal compliance supplement.

Auditor's Recommendation: The District must insure compliance with grant provision and federal guidelines with regards to special provisions and sub-recipient monitoring. In order to insure compliance with these provisions, there should be periodic oversight of federal compliance provision for each federal program.

Management Response: It is the District's policy to submit the bills for payment as soon as they are received and verified for compliance. The verification for reimbursement does go through several approvals before it is submitted. The District will make it a priority to verify invoices in a timelier manner.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS (CONTINUED)

FA 06-6: Title IIa – Personnel Files – Allowable Costs

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Title IIa
CFDA number:	84.367
Award year and number:	June 30, 2006

Condition: We noted two instances during our audit procedures for which the District did not maintain adequate supporting documentation relating to personnel W-4's.

Criteria: According to Circular OMB A-87, to be allowable under Federal awards, costs, including compensation, must adequately documented.

Questioned Costs: None.

Cause: The District's policy is to maintain supporting documentation for all human resource activities and related payroll disbursements.

Effect: It appears that the policy was not followed in the cases noted and adequate documentation, W-4 forms, were not retained.

Auditor's Recommendation: We recommend that adequate supporting documentation accompany cash disbursements as required by the District's policy and Circular OMB A-87.

Management Response: The District has instituted a process wherein W-4's are scanned and categorically matched to the payroll subsidiary system. This maintains adequate documentation that supports payroll tax withholdings.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS (CONTINUED)

FA 06-7: Audit Report Submission of Data Collection Form and Reporting Package

Federal program information:

Funding agency:	All
Title:	All
CFDA number:	All

Condition: The June 30, 2006 data collection form and reporting package were not submitted to the Federal Audit Clearinghouse by the required date.

Criteria: OMB Circular A-133 requires that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Questioned Costs: None

Cause: The books and records for 2006 were not ready and available to start the audit until late December 2006. APS was unable to submit the June 30, 2006 audit report on a timely basis as a result of the June 30, 2005 general ledger not being available until October 2006 and fixed assets not being available until January 2006.

Effect: As a result, APS is not in compliance with the Federal and State of New Mexico requirements.

Auditor's Recommendation: APS must ensure that all future audit reports are filed in a timely manner. APS should ensure this process is timely in the future through communications with the new auditor.

Management Response: The size and complexity of the annual audit report continues to grow with the addition of numerous component units that are required to be reported with the District's results. Finance staff has already begun a planning process for the next audit, and is working with the external auditors to meet all deadlines.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
CURRENT YEAR AUDIT RECOMMENDATIONS

June 30, 2006

FINDINGS – FEDERAL AWARDS (CONTINUED)

FA 06-08 – 2006 Audit Report and Submission of the Data Collection Form to the Federal Audit Clearinghouse

Condition: APS has not yet submitted its audit report and Data Collection Form to the Federal Audit Clearinghouse subsequent to the March 31, 2007 deadline required by the Office of Management and Budget (OMB)

Criteria: OMB requirements state that public schools which receive and spend federal grants in excess of \$500,000 are required to submit the audit report and Data Collection Form to the Federal Audit Clearinghouse for the year ended June 30, 2006 on or before March 31, 2007.

Cause: APS was unable to submit the June 30, 2006 audit and the Data Collection Form to the Federal Audit Clearinghouse report on a timely basis. As a result, APS is not in compliance with OMB requirements.

Effect. The District was not timely in their financial reporting.

Auditor's Recommendation: APS must ensure that all future audit reports are filed in a timely manner. APS should ensure this process is timely.

Management Response: The size and complexity of the annual audit report continues to grow with the addition of numerous component units that are required to be reported with the Districts results. The audit testwork was not completed until October 19, 2007.

FA 06-09 – 2005 Audit Report and submission of the Data Collection Form to the Federal Audit Clearinghouse

Condition: APS failed to submit its June 30, 2005 audit report and Data Collection Form to the Federal Audit Clearinghouse subsequent to the March 31, 2006 deadline required by the Office of Management and Budget (OMB).

Criteria: OMB requirements state that public schools which receive and spend federal grants in excess of \$500,000 are required to submit the audit report and Data Collection Form to the Federal Audit Clearinghouse for the year ended June 30, 2005 on or before March 31, 2006.

Cause: APS was unable to submit the June 30, 2005 audit report and Data Collection Form to the Federal Audit Clearinghouse on a timely basis due to staff changes. As a result, APS is not in compliance with State of New Mexico requirements.

Effect. The District was not timely in their financial reporting.

Auditor's Recommendation: APS must ensure that all future audit reports and Data Collection Form to the Federal Audit Clearinghouse are filed in a timely manner. APS should ensure this process is timely.

Management Response: The District has already begun a process for the submission of the Data Collection Form and audit report for its June 30, 2005 audited financial statements.

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2006

PRIOR YEAR AUDIT FINDINGS

Albuquerque Public Schools

FS-04-13 Capital Asset Inventory	Repeated and Revised at FS-05-10 and FS-06-11
FS-05-01 Cafeteria Fund	Cleared
FS-05-02 Cash Receipts	Cleared
FS-05-03 Activity Funds	Repeated and Revised at FS-06-04
FS-05-04 Disposition of Property	Cleared
FS-05-05 Missing W-4	Repeated and Revised at FS-06-05
FS-05-06 Untimely Deposits	Repeated and Revised at FS-06-03
FS-05-07 Reporting	Cleared
FS-05-08 Audit Report	Repeated and Revised at FA/FS-06-07
FS-05-09 Federal Cash Requirements	Cleared
FS-05-10 Capital Asset Inventory	Repeated and Revised at FS-06-11
FS-05-11 PED Reports	Repeated and Revised at FS-06-10
FS-05-12 Contract Services	Cleared

21st Century Charter School

FS-04-28 Budget Deficit	Repeated and Revised at FS-05-15 and FS-06-25
FS-04-33 PED Reports	Cleared
FS-05-13 Missing I-9s	Cleared
FS-05-14 Lack of Supporting Doc.	Cleared
FS-05-15 Pledged Collateral	Repeated and Revised at FS-06-17
FS-05-16 Budgetary Conditions	Repeated and Revised at FS-06-25
FS-05-17 Board Members	Cleared
FS-05-18 PED Reports	Cleared

Academia de Lengua y Cultura

FS-05-19 Budgetary Conditions	Repeated and Revised at FS-06-37
FS-05-20 Pledged Collateral	Repeated and Revised at FS-06-28
FS-05-21 Stale Dated Checks	Repeated and Revised at FS-06-29

Amy Biehl Charter High School

FS-05-22 Travel and Per Diem	Cleared
FS-05-23 Disbursements	Cleared
FS-05-24 Payroll	Cleared
FS-05-25 Segregation of Duties	Cleared

Cesar Chavez Charter School

FS-05-26 Bank Deposits	Cleared
FS-05-27 Lack of Supporting Doc.	Cleared
FS-05-28 Pledged Collateral	Cleared
FS-05-29 Segregation of Duties	Cleared
FS-05-30 Budgetary Conditions	Cleared

STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2006

Charter Vocational High School

FS-04-67 PED Reports	Repeated and Revised at FS-05-35 and FS-06-57
FS-05-31 Cash Control Standards	Cleared
FS-05-32 Unauthorized Expenditures	Cleared
FS-05-33 Supply Inventory	Repeated and Revised at FS-06-51
FS-05-34 Unauthorized Personal Exp.	Cleared
FS-05-35 PED Reports	Repeated and Revised at FS-06-57
FS-05-36 Contracted Services	Cleared
FS-05-37 Personal use of vehicle	Cleared
FS-05-38 Policies and Procedures	Cleared
FS-05-39 Purchasing	Cleared

Charter Vo-Tech Center

FS-05-40 Improper tax exempt status	Cleared
FS-05-41 Purchasing	Cleared
FS-05-42 Contract Services	Cleared

Creative Education Preparatory Institute #1

FS-05-43 Budgetary Conditions	Cleared
FS-05-44 Pledged Collateral	Cleared
FS-05-45 Budget Adjustment Requests	Cleared
FS-05-46 Mileage and Per Diem	Cleared
FS-05-47 Policies and Procedures	Cleared
FS-05-48 I-9 Forms	Cleared
FS-05-49 Difference with GL & reports	Cleared

Creative Education Preparatory Institute #2

FS-05-50 Pledged Collateral	Cleared
FS-05-51 Budget Adjustment Requests	Cleared
FS-05-52 Mileage and Per Diem	Cleared
FS-05-53 Policies and Procedures	Cleared
FS-05-54 I-9 Forms	Cleared

East Mountain High School

FS-04-37 Cash Disbursements	Repeated and Revised at FS-05-55 and FS-06-60
FS-05-55 Travel and Per Diem	Repeated and Revised at FS-06-60
FS-05-56 Internal Control Structure	Cleared
FS-05-57 Budgetary Conditions	Repeated and Revised at FS-06-64
FS-05-58 PED reports	Repeated and Revised at FS-06-67

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June 30, 2006

High Tech High Charter School

FS-05-59 Policies and Procedures

Repeated and Revised at FS-06-74

Horizon Northwest Charter School

FS-04-101 PED reports

Repeated and Revised at FS-05-61 and FS-06-83

FS-04-104 Budgetary Conditions

Repeated and Revised at FS-05-64 and FS-06-80

FS-04-106 Policies and Procedures

Cleared

FS-05-60 Deposit Procedures

Cleared

FS-05-61 PED Reports

Repeated and Revised at FS-06-83

FS-05-62 Payroll Taxes

Cleared

FS-05-63 ERA Contributions

Cleared

FS-05-64 Budgetary Conditions

Repeated and Revised at FS-06-80

FS-05-65 Budget Adjustment Requests

Cleared

FS-05-66 Policies and Procedures

Cleared

FS-05-67 941 Forms

Cleared

FS-05-68 Incomplete Personnel Files

Cleared

FS-05-69 Supporting doc-Payroll

Cleared

FS-05-70 Supporting doc.-Disbursements

Cleared

FS-05-71 Failure to authorize purchases

Cleared

FS-05-72 RHC Reports

Cleared

FS-05-73 Compensated Absences

Cleared

FS-05-74 Pledged Collateral

Repeated and Revised at FS-06-78

FS-05-75 Internal Controls over JE's

Repeated and Revised at FS-06-82

FS-05-76 Board Minutes

Cleared

FS-05-77 Inter-School Transactions

Cleared

Horizon South Charter School

FS-04-93 PED Reports

Repeated and Revised at FS-05-78 and FS-06-91

FS-04-96 Budgetary Conditions

Repeated and Revised at FS-05-81 and FS-06-89

FS-04-97 Budget Adjustment Request

Repeated and Revised at FS-05-82 and FS-06-85

FS-04-98 Policies and Procedures

Repeated and Revised at FS-05-83 and FS-06-87

FS-05-78 PED Reports

Repeated and Revised at FS-06-91

FS-05-79 Payroll Taxes

Cleared

FS-05-80 Payroll-Lack of Documentation

Repeated and Revised at FS-06-84

FS-05-81 Budgetary Conditions

Repeated and Revised at FS-06-89

FS-05-82 Budget Adjustment Requests

Repeated and Revised at FS-06-85

FS-05-83 Policies and Procedures

Cleared

FS-05-84 Difference with GL and Reports

Cleared

FS-05-85 Payroll Wages Not Correct

Cleared

FS-05-86 Missing receipts

Cleared

FS-05-87 Failure to authorize purchases

Cleared

FS-05-88 Disbursements-documentation

Cleared

FS-05-89 Internal Controls over JE's

Repeated and Revised at FS-06-87

FS-05-90 Board Minutes

Cleared

FS-05-91 Pledged Collateral

Repeated and Revised at FS-06-88

FS-05-92 Compensated Absences

Repeated and Revised at FS-06-92

FS-05-93 Inter-School Transactions

Cleared

**STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
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June 30, 2006

Horizon West Charter School

FS-04-109 PED Reports	Repeated and Revised at FS-05-105 and FS-06-97
FS-04-114 Policies and Procedures	Repeated and Revised at FS-05-110 and FS-06-98
FS-05-117 Pledged Collateral	Repeated and Revised at FS-05-111 and FS-06-95
FS-05-105 PED Reports	Repeated and Revised at FS-06-97
FS-05-106 Payroll Taxes	Cleared
FS-05-107 Payroll-Supporting Doc.	Cleared
FS-05-108 Budgetary Conditions	Cleared
FS-05-109 Budget Adjustment Requests	Cleared
FS-05-110 Policies and Procedures	Cleared
FS-05-111 Pledged Collateral	Repeated and Revised at FS-06-95
FS-05-112 Difference with GL and Reports	Cleared
FS-05-113 Documentation for receipts	Cleared
FS-05-114 Failure to authorize purchases	Cleared
FS-05-115 Disbursements-vendor invoices	Cleared
FS-05-116 Disbursements-documentation	Cleared
FS-05-117 Internal Controls over JE's	Repeated and Revised at FS-06-98
FS-05-118 Board Minutes	Cleared
FS-05-119 Failure to Retain Documents	Cleared
FS-05-120 Failure to Retain Documents	Cleared
FS-05-121 Mileage Reimbursement	Cleared
FS-05-122 Travel and Per Diem	Cleared
FS-05-123 Compensated Absences	Cleared
FS-05-124 Inter-School Transactions	Cleared

La Academia de Esperanza

FS-05-125 Unauthorized Travel Expenses	Cleared
FS-05-126 Lack of Supporting Doc.	Cleared
FS-05-127 Segregation of Duties	Cleared
FS-05-128 Internal Control-Disbursements	Cleared
FS-05-129 Internal Control-Receipting	Cleared
FS-05-130 Budgetary Conditions	Cleared

La Promesa Charter School

FS-05-131 Lack of Authorization	Cleared
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Los Puentes Charter School

FS-05-132 Incomplete Personnel Files	Cleared
FS-05-133 Missing Personnel Files	Cleared
FS-05-134 Lack of Supporting Doc.	Repeated and Revised at FS-06-124
FS-05-135 Timely Deposits	Cleared
FS-05-136 Budgetary Conditions	Repeated and Revised at FS-06-127

Montessori of the Rio Grande

FS-05-137 Pledged Collateral	Cleared
FS-05-138 PED Reports	Cleared
FS-05-139 Internal Control-Disbursements	Cleared
FS-05-140 Budgetary Conditions	Repeated and Revised at FS-06-146
FS-05-141 Policies and Procedures	Cleared
FS-05-142 Cash Receipts-Untimely	Cleared

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June 30, 2006

Mountain Mohogany Charter School

FS-05-143 Pledged Collateral	Cleared
FS-05-144 Expenditures Documentation	Repeated and Revised at FS-06-141
FS-05-145 Budget Adjustment Requests	Repeated and Revised at FS-06-143
FS-05-146 Posting of Revenues to GL	Cleared

Nuestros Valores Charter School

FS-04-17 Bank Reconciliations	Repeated and Revised at FS-05-147 and FS-06-156
FS-04-18 PED Reports	Repeated and Revised at FS-05-148 and FS-06-161
FS-05-147 Bank Reconciliations	Repeated and Revised at FS-06-156
FS-05-148 PED Reports	Repeated and Revised at FS-06-161
FS-05-149 Internal Control over JE's	Repeated and Revised at FS-06-1560
FS-05-150 Procurement	Cleared

Public Academy for Performing Arts

FS-04-23 PED Reports	Repeated and Revised at FS-05-152 and FS-06-171
FS-05-151 Bank Reconciliations	Cleared
FS-05-152 PED Reports	Repeated and Revised at FS-06-171
FS-05-153 Pledged Collateral	Cleared
FS-05-154 Incomplete Personnel Files	Cleared
FS-05-155 Timesheets	Cleared
FS-05-156 Wrong Amount pd to employee	Cleared
FS-05-157 Segregation of Duties-Receipts	Cleared
FS-05-158 Deposits not made timely	Cleared
FS-05-159 Payroll Taxes	Cleared
FS-05-160 Budgetary Conditions	Repeated and Revised at FS-06-169

Robert F. Kennedy

FS-05-161 Segregation of Duties	Cleared
FS-05-162 Bank Deposits	Repeated and Revised at FS-06-184
FS-05-163 Travel and Per Diem	Cleared
FS-05-164 Failure to locate documentation	Cleared
FS-05-165 Board Minutes	Cleared
FS-05-166 Fixed Assets	Cleared

School for Integrated Academics & Technologies

FS-05-167 Compliance with Policies	Cleared
FS-05-168 Pledged Collateral	Cleared

South Valley Academy

FS-04-34 Bank Reconciliations	Repeated and Revised at FS-05-169 and FS-06-179
FS-04-36 Budgetary Conditions	Repeated and Revised at FS-05-170 and FS-06-183
FS-05-169 Bank Reconciliations	Repeated and Revised at FS-06-179
FS-05-170 Budgetary Conditions	Repeated and Revised at FS-06-183
FS-05-171 PED Reports	Repeated and Revised at FS-06-185
FS-05-172 Pledged Collateral	Cleared
FS-05-173 Deposits not made timely	Cleared
FS-05-174 Documentation for Receipts	Cleared
FS-05-175 Gross pay does not agree	Cleared
FS-05-176 Documentation-Disbursements	Cleared

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Southwest Secondary Learning Center

FS-05-177 Lack of Documentation-Payroll	Cleared
FS-05-178 Budgetary Conditions	Cleared
FS-05-179 Pledged Collateral	Cleared

Federal Awards

FS-05-01 Audit Report	Repeated and Revised at FS/FA 06-07
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**STATE OF NEW MEXICO
ALBUQUERQUE MUNICIPAL SCHOOL DISTRICT NO. 12
EXIT CONFERENCE**

June 30, 2006

OTHER DISCLOSURES

Prepared Financials

The financial statements presented in this report were prepared by the Albuquerque Municipal School District 12. The financial statements for the Charter Schools presented in this report were prepared by Moss Adams LLP.

Exit Conference

The contents of this report were discussed on February 14, 2007 with the Albuquerque Public School Audit Committee. The following individuals were in attendance.

Albuquerque Municipal School District 12

William Moffatt, Chief Business Officer
Louanne Boothe, Director of Finance
Leonard J. De Layo Jr., Member (District 4)
Thomas Savage, Associate Superintendent of Resources
Dr. Beth Everitt, Superintendent
Allen Wesson, Internal Audit
Gordon Rowe, Member
Berna Facio, Member
Brenda Yager, Member

In addition, the contents of each individual Charter School report were discussed on January 23-24, 2007, with representatives of the schools. The following individuals were in attendance.

21st Century Charter School

Katherine Krivitzky, Business Manager
Patricia Davidson, Board President
Donna Eldridge, Principal

Academia de Lengua y Cultura

Colleen Adolph, Principal
George Miles, Business Manager
Teresa Sierra, Board President

Albuquerque Institute for Math and Science

K.A. Sandoval, Principal
Nicole Glasrud, Business Manager

Amy Biehl Charter High School

Betty Seeley, Finance Director
Cliff Wintrobe, Board Member
Tony Monfiletto, Chief Operating Officer

Cesar Chavez Community School

Robert Henning, President
Caryl Thomas, Principal
Debora Albright, Business Manager

Charter Vocational High School

Ron Compher, Business Manager
Geri Romero-Roybal, Chief Operations Officer

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June 30, 2006

Charter Vo-Tech Center

Ron Compber, Business Manager
Geri Romero-Roybal, Chief Operations Officer

Creative Education Preparatory Institute # 1

Tom Crespín, Principal
Tina Patel, Business Manager
Eric Schafer, Board Member

Creative Education Preparatory Institute # 2

Eddie Lucero, Vice President
Stan Albright, Business Manager

East Mountain High School

Danielle Johnston, Principal
Kay Girdner, Business Manager
Russ Cummins, Board Member

Horizon Academy South

Jim Nessle, Board Member
Mary Scofield, Consultant
Jennifer Mercer, Principal
Alfred Bourquet, Business Manager

Horizon Academy West

Amie Duran, Principal
Dr. Stephen Eckert, Director
Joey Martin, Business Manager

La Academia de Esperanza

Bernie Lefler, President
Rhonda Lovato, Business Manager

La Luz del Monte Learning Center

Scott Celasins, Principal
Araceli Sosa, Business Manager
Debra Young, Administration

La Promesa Early Learning Center

Alfred Martinez, Business Manager
Dr. Analee Maestas, Principal

La Resolana Leadership Academy

Justina Montoya, Principal
Michael Vigil, Business Manager

Los Puentes Charter School

Nancy Celina, Board President
Joan Staveley, Board Member
Ellen Moore, Principal
Jeanie Butcher, Business Manager
Lucille Martinez, Secretary/Treasurer

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Montessori Elementary Charter School

Marie Jean Besante, Principal
Stan Albrgeht, Business Manager

Montessori of the Rio Grande

Bonnie Dodge, Principal
Chris Felix, Business Manager
Lynn Hunt, Board Member (Treasurer)

Mountain Mahogany Community School

Diane Hurd, Business Manager
Kay Giles, Board Member
Kay Birukoff, Principal

Native American Community Academy

Kara Bobruff, Principal
Lynn Ryan, Finance Director
Joaquin Noon, Governing Board

North Albuquerque Cooperative Community Elementary

Joan Stavelly, Consultant
D. Thompson, Business Manager
Shelly Cherrin, Principal

North Valley Academy (formerly Horizon Academy Northwest)

Barbara Ibarra, Board Member
Jerald Snider, Principal
Logan Martin, Business Manager
Dan Salzwedel, Governing Council President

Nuestros Valores Charter School

Monica Sanchez-Aguilar, Principal
Jennifer English, Deputy Financial Officer
Al Valdez, Business Manager

Public Academy of the Performing Arts

John Sollyer, Board Member
Katy Harvey, Principal
Kim Martinez, Business Manager

Ralph J. Bunche Academy

Lanthia Gillespie, President
Jasper Matthew, Principal
Michael Vigil, Business Manager
Charlotte Ortega, Accountant

Robert F. Kennedy High School

Greta Roscam, Principal
Julie Crespy, Business Manager

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School for Integrated Academics & Technology

Kelly Callahan, Principal
Diane Carrillo, Board Member
Curt Szarek, Business Manager

South Valley Academy

Alan Marks, Head Teacher
Ruby Chavez, Assistant Business Manager
Juan Abeyta, Board Member
Julie Crespy, Acting Business Manager

Southwest Primary Learning Center

Scott Celasins, Principal
Araceli Sosa, Business Manager
Debra Young, Administration

Southwest Secondary Learning Center

Scott Celasins, Principal
Araceli Sosa, Business Manager
Debra Young, Administration

The Learning Community

Viola Martinez, Principal
Stan Albright, Business Manager

Youth Build Trade and Technology Community High School

Lev Maxwell, President
Van Sanders, Principal
Al Martinez, Business Manager

Also in attendance at the Charter School exit conferences were the following representatives from Albuquerque Public Schools.

Jonnie Gilbert, General Accountant
Mark Messier, Internal Audit
Theresa Brito-Asenap, Charter School Liaison
Connie Dove, Charter School Liaison
Arbie Aragon, Internal Auditor
Alan Wesson, Internal Auditor

Griego Professional Services

JJ Griego, CPA

Moss Adams LLP

Clarke Cagle, CPA