



**State of New Mexico
Albuquerque Public Schools**

**Annual Financial Report
For The Year Ended June 30, 2009**

VOLUME IV

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each discretely presented component unit, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the remaining aggregate fund information of the Albuquerque Municipal School District No. 12, New Mexico (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's and discretely presented component units' nonmajor governmental funds including budgetary comparisons for the nonmajor governmental funds, internal service funds, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material

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weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items FS 06-14, FS 06-27, FS 06-38, FS 07-15, FS 07-16, FS 09-06, FS 09-08, FS 07-23, FS 08-19, FS 08-20, FS 08-21, FS 09-17, FS 09-18, FS-09-19 FS 07-05, FS 08-33, FS 09-21, FS 08-40, FS 08-44, FS 09-24, FS 09-28, FS 09-33, FS 09-36, FS 07-38, FS 07-50, FS 08-49, FS 08-51, FS 09-38, FS 08-54, FS 09-45, FS 09-47, FS 09-51, FS 07-62, FS 09-52, FS 09-53, FS 09-54, FS 09-56, FS 09-60, FS 09-61, FS 09-65, FS 09-70, FS 09-71, FS 09-75, FS 09-77, FS 09-78, FS 09-84, FS 09-85, FS 07-90, FS 07-92, FS 08-85, FS 08-86, FS 09-87, FS 09-89, FS 09-91, FS 09-92, FS 09-99, FS 09-100, FS 09-105, FS 09-107, FS 07-110, FS 07-112, FS 08-91, FS 08-93, FS 09-110, FS 09-111, FS 09-113, FS 09-120, FS 09-121, FS 09-125, FS 09-131, FS 09-132, FS 09-134, FS 08-97, FS 08-105, FS 09-138, FS 09-139, FS 09-143, FS 06-148, FS 09-145, FS 08-71, FS 08-72, FS 09-148, FS 09-150, FS 09-156, FS 06-153, FS 07-163, FS 08-111, FS 08-117, FS 09-157, FS 07-166, FS 08-122, FS 08-125, FS 09-159, FS 09-160, FS 07-170, FS 08-129, FS 08-130, FS 08-138 FS 09-164, FS 09-165, FS 09-166, FS 09-168, FS 09-170, FS 09-171, FS 09-173, FS 09-177, FS 07-176, FS 08-144, FS 09-178, FS 09-183, FS 08-148, FS 09-184, FS 09-185, FS 09-189, FS 09-190, FS 07-183, FS 07-184, FS 08-157, FS 08-158, FS 08-159, FS 08-160, FS 09-192, FS 09-193, FS 09-194, FS 09-195, FS 09-199, FS 07-185, FS 08-161, FS 08-163, FS 09-202, FS 09-204, FS 09-210, FS 09-211, FS 09-213, FS 09-215, FS 09-216, FS 09-219, FS 09-220, FS 09-222, FS 09-225, FS 09-228, FS 09-231, FS 09-232, FS 09-233, FS 09-235, FS 09-236, FS 09-237, FS 09-239, FS 09-242, FS 09-243, FS 09-244, and FS 09-245.

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and
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New Mexico State Auditor

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items FS 06-14, and FS 09-242 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 07-06, FS 08-04, FS 08-07, FS 09-01, FS 09-02, FS 09-03, FS 09-04, FS 08-16, FS 09-05, FS 08-18, FS 09-07, FS 09-09, FS 09-10, FS 09-11, FS 09-12, FS 09-13, FS 09-14, FS 09-15, FS 07-19, FS 07-21, FS 07-26, FS 08-22, FS 08-23, FS 08-24, FS 09-16, FS 08-30, FS 08-32, FS 09-20, FS 09-22, FS 09-23, FS 09-25, FS 09-26, FS 09-27, FS 09-29, FS 09-30, FS 09-31, FS 09-32, FS 09-34, FS 09-35, FS 09-37, FS 07-35, FS 07-40, FS 07-43, FS 07-46, FS 08-52, FS 09-39, FS 09-40, FS 09-41, FS 09-42, FS 06-59, FS 09-43, FS 09-44, FS 09-46, FS 09-48, FS 09-49, FS 09-50, FS 09-55, FS 09-57, FS 09-58, FS 09-59, FS 09-62, FS 09-63, FS 09-64, FS 09-66, FS 09-67, FS 09-68, FS 09-69, FS 09-72, FS 09-73, FS 09-74, FS 09-76, FS 09-79,

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FS 09-80, FS 09-81, FS 09-82, FS 09-83, FS 07-93, FS 07-95, FS 07-97, FS 07- 98, FS 08-87, FS 09-86, FS 09-88, FS 09-90, FS 09-93, FS 09-94, FS 09-95, FS 09-96, FS 09-97, FS 06-98, FS 09-98, FS 09-101, FS 09-102, FS 09-103, FS 09-104, FS 09-106, FS 07-109, FS 08-89, FS 08-90, FS 08-92, FS 08-94, FS 08-95, FS 09-108, FS 09-109, FS 09-112, FS 09-114, FS 09-115, FS 09-116, FS 09-117, FS 09-118, FS 09-119, FS 09-122, FS 09-123, FS 09-124, FS 09-126, FS 09-127, FS 09-128, FS 09-129, FS 09-130, FS 07-131, FS 09-133, FS 09-135, FS 09-136, FS 07-134, FS 07-135, FS 07-139, FS 07-140, FS 07-141, FS 07-142, FS 08-99, FS 08-103, FS 08-106, FS 09-137, FS 09-140, FS 09-141, FS 09-142, FS 09-144, FS 07-145, FS 09-146, FS 09-147, FS 08-66, FS 08-67, FS 08-68, FS 08-69, FS 09-149, FS 09-151, FS 09-152, FS 09-153, FS 09-154, FS 09-155, FS 07-161, FS 07-162, FS 08-114, FS 09-158, FS 06-162, FS 07-165, FS 08-121, FS 08-128, FS 09-161, FS 09-162, FS 08-132, FS 08-133, FS 08-134, FS 08-135, FS 08-136, FS 08-137, FS 09-163, FS 09-167, FS 09-169, FS 09-172, FS 09-174, FS 09-175, FS 06-178, FS 09-176, FS 08-143, FS 08-145, FS 09-179, FS 09-180, FS 09-181, FS 09-182, FS 09-186, FS 09-187, FS 09-188, FS 09-191, FS 08-152, FS 08-154, FS 08-155, FS 08-156, FS 09-196, FS 09-197, FS 09-198, FS 09-200, FS 08-162, FS 09-201, FS 09-203, FS 09-205, FS 09-206, FS 09-207, FS 09-208, FS 09-209, FS 07-192, FS 09-212, FS 09-214, FS 09-217, FS 09-218, FS 08-27, FS 08-28, FS 08-29, FS 09-221, FS 09-223, FS 09-224, FS 09-226, FS 09-227, FS 09-229, FS 09-230, FS 09-234, FS 09-238, FS 09-240, and FS 09-241.

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

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

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

Moss Adams LLP

Albuquerque, New Mexico
November 16, 2009

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

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

Compliance

We have audited the compliance of Albuquerque Municipal School District No. 12, New Mexico (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA 07-03, FA 08-01, FA-09-01, FA-09-03, FA-09-04.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control

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deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 08-02, and FA 09-02 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

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

Moss Adams LLP

Albuquerque, New Mexico
November 16, 2009

State Of New Mexico
Albuquerque Municipal School District No. 12
Schedule of Expenditures of Federal Awards
June 30, 2009

Amounts are reported in dollars.

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services			
<i>Passthrough State of New Mexico Children Youth & Families Department</i>			
Title XX Health & Social Services	25129	93.669	774,482
Center for Disease Control and Prevention Technical Assistance	25222	93.283	45,262
<i>Subtotal - Passthrough State of New Mexico Children Youth & Families Department</i>			819,744
Total U.S. Department of Health and Human Services			819,744
U.S. Department of Justice			
<i>Direct to Albuquerque Public Schools</i>			
Community Prosecution and Project Safe Neighborhoods	25113	16.609	6,483
Total U.S. Department of Justice			6,483
U.S. Department of Education			
<i>Passthrough State of New Mexico Department of Education</i>			
Title I (1)	24101	84.0100	25,070,442
Entitlement IDEA B (1)	24106	84.0270	19,186,957
Preschool IDEA-B	24109	84.1730	423,211
Education of Homeless Children	24113	84.1960	69,940
Fresh Fruit & Vegetables	24118	10.5820	29,243
Section 1003g	24124	84.3370	291,904
Learn and Services	24126	94.0040	13,852
Enhancing Education through Technology	24133	84.318X	207,401
Enhancing Education through Technology (E2T2-C)	24149	84.318X	120,332
Title V Part A Innovative Ed Pro Strategies	24150	84.2980	68,773
English Language Acquisition	24153	84.365A	844,690
Teacher / Principal Training / Recruiting	24154	84.367A	4,387,848
Safe & Drug Free Schools & Community	24157	84.186A	290,199
21st Century Community Living Centers	24159	84.287C	561,485
Title I School Improvement	24162	84.0100	422,764
Carl Perkins Secondary - Current (1)	24174	84.0480	888,112
Carl D. Perkins-Secondary Redistribution (1)	24176	84.0480	406,013
Carl D. Perkins-HSTW Current (1)	24180	84.0480	27,871
Title I Stimulus	24201	84.0100	1,934,133
IDEA-B Stimulus	24206	84.0270	4,264
IDEA-B Preschool Stimulus	24209	84.1730	3,658
IDEA-B Stimulus-Coordinated Early Intervening Services	24212	84.0270	620
Teaching American History	25107	84.215X	612,893
Safe & Drug Free Schools	25111	84.184A	116,888

State Of New Mexico
Albuquerque Municipal School District No. 12
Schedule of Expenditures of Federal Awards
June 30, 2009

Amounts are reported in dollars.

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education (cont.)			
Impact Aid Special Education	25145	84.0410	63,524
Impact Aid Indian Education	25147	84.0410	71,648
Asthma Management	25168	93.9380	193,935
After-School (PICAASO)	25174	-	126,530
Indian Education Formula Grant	25184	84.060A	1,073,517
Smaller Learning Communities	25217	84.215L	1,335,198
Carol M. White Physical Fitness	25241	-	345,520
Safe School/Healthy Students	25243	-	631,146
Total U.S. Department of Education			<u>59,824,511</u>
U.S. Department of the Interior			
<i>Direct to Albuquerque Public Schools</i>			
Johnson O'Malley	25131	15.1300	311,903
Total U.S. Department of the Interior			<u>311,903</u>
U.S. Department of Defense			
<i>Direct to Albuquerque Public Schools</i>			
Collaborative Research & Development	25112	12.114	7,083
Total U.S. Department of Defense			<u>7,083</u>
National Science Foundation			
Career Access Program NSF	25158	47.076	3,098
Total U.S. National Science Foundation			<u>3,098</u>
U.S. Department of Agriculture			
<i>Passthrough State of New Mexico Department of Education</i>			
School Lunch Program (1)	21000	10.555	26,728,633
Total U.S. Department of Agriculture			26,728,633
U.S.D.A Commodities	21000	10.550	1,775,127
Total Federal Financial Assistance			<u>89,476,582</u>
(1) Denotes Major Federal Financial Assistance Program			
Charter School Awards			
El Camino Real Academy			
School Lunch Program (1)	21000	10.555	323,254
Title I (1)	24101	84.010	195,078
Entitlement IDEA - B	24106	84.027	154,179
IDEA - B Stimulus	24206	84.027	91,389
Gordon Bernell			
Entitlement IDEA - B	24106	84.020	41,627
Federal Charter School (1)	24146	84.282	459,895

State Of New Mexico
Albuquerque Municipal School District No. 12
Schedule of Expenditures of Federal Awards
June 30, 2009

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

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

2. Subrecipients

N/A

3. Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2009 was \$1,775,127 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.550. Commodities are recorded as revenues and expenditures in the food service fund.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	89,476,582
Total expenditures funded by other sources	<u>1,150,787,407</u>
Total expenditures, all sources	<u><u>1,240,263,989</u></u>

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I – Summary of Audit Results*Financial Statements:*

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

Federal Awards:

- | 1. Internal control over major programs: | | | | | | | | | | | |
|--|-----------------------|-----------------|--------|-----------|--------|---------|--------|-----------------------|--------|--------------|--|
| a. Material weaknesses identified? | No | | | | | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unqualified | | | | | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes | | | | | | | | | | |
| 4. Identification of major programs: | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">84.367</td> <td style="text-align: center;">Title IIA</td> </tr> <tr> <td style="text-align: center;">84.010</td> <td style="text-align: center;">Title I</td> </tr> <tr> <td style="text-align: center;">10.555</td> <td style="text-align: center;">National School Lunch</td> </tr> <tr> <td style="text-align: center;">84.048</td> <td style="text-align: center;">Carl Perkins</td> </tr> </tbody> </table> | CFDA
Number | Federal Program | 84.367 | Title IIA | 84.010 | Title I | 10.555 | National School Lunch | 84.048 | Carl Perkins | |
| CFDA
Number | Federal Program | | | | | | | | | | |
| 84.367 | Title IIA | | | | | | | | | | |
| 84.010 | Title I | | | | | | | | | | |
| 10.555 | National School Lunch | | | | | | | | | | |
| 84.048 | Carl Perkins | | | | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$2,684,297 | | | | | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | | | | | |

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section II – Financial Statement Findings

Albuquerque Public Schools

FS 06-14 Capital Assets Recognition

Condition: The District is maintaining a capital asset listing; however, audit procedures indicate that the finance department is not consistently provided necessary and accurate construction in progress information from the facilities department regarding the status of District construction in progress projects. In addition, capital asset lives are not being evaluated each year.

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. In addition, GASB 34 Implementation Guide states that it is necessary to review the estimated lives in later years.

Effect: The District has issued bonds for the purpose of constructing facilities to meet the needs of the District. Communication between the District's facilities department and the finance office is important to ensure each asset owned by the District is recorded and recognized on the capital asset listing as required by Generally Accepted Accounting Principals and Governmental Accounting Standards. The process is important to insure the District's assets are accurately recognized in the financial statements which affect the District's bonding issues relating to the construction and maintenance of District Facilities. Additionally, there are capital assets in use on the books that are fully depreciated.

Cause: The District is extremely active with construction transactions as a result of a growing community and increased student counts.

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

Management Response: The Finance Department will continue to communicate requirements for tracking and managing construction in progress.

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

FS 07-06 – Board of Education Reimbursement

Condition: It was noted during our inquiry of the client and review of accounts payable checks that the members of the board are not paid through payroll, rather they are paid through regular disbursements through accounts payable.

Criteria: Publication 963, Chapter 4 and IRC §3401(c), states that “the term employee includes an officer, employee, or elected official of the United States, a State, or any political subdivision thereof.” In other words, an officer, employee, or elected official of a state or local government is an employee for income tax withholding purposes. For purposes of social security and Medicare (FICA) taxes, employee status is determined under the common-law control test, unless a Section 218 Agreement is in place and specifically covers the position.”

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

Cause: The District was not aware of the publication requirements and processed board reimbursements through accounts payable.

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

Management Response: The District’s legal counsel has been asked to obtain a ruling from the Attorney General on this issue. Recent communication with council determined that no response has been received at this time.

FS 08-04 – Budgetary Conditions

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

24109	IDEA B	17,606
25129	Title XX Health	89,482
27160	Legislative Appropriations	<u>19,825</u>
Total		126,913

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

Effect: The district is over-expending its budget.

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

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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

Management Response: Grant Management has implemented a procedure in which the budgets are verified between the PED's OBMS system and the Lawson Financial System. This procedure will ensure that budgets are not overstated in Lawson and reduce the possibility of over-expending.

FS 08-07 Activity Funds - Fraud within Organization

Condition: During our current year inquiries of management, it was noted that there were two instances of activity fund fraud at two separate elementary schools. APS took at loss \$3,062.25 in the first instance and in the second instance, all losses were recovered, as far as could be determined. Such fraud was identified by and acted upon by the Internal Audit Department.

Criteria: Section 12-6-5 NMSA 1978 (2.2.2.10 I NMAC) requires all instances of fraud to be included in the annual financial audit report.

Effect: There is a shortage in activity funding for the school.

Cause: There was a process within the school's normal collections procedures that may have been under monitored with a lack of segregation of duties.

Auditor's Recommendation: We recommend that the District Management and Internal Audit Department evaluate how the fraud occurred and develop sufficient procedures to mitigate and/or detect future fraud committed in a similar fashion.

Management Response: Each school is provided with an Activity Fund Manual which outlines all policies and procedures related to activity fund bookkeeping. Bookkeepers are required to attend annual activity fund training at which time established policies and procedures are reviewed. In addition, the District conducted activity fund training with principals outlining their responsibilities to manage their site's activity funds. It should be noted that the findings listed above were discovered during regularly scheduled activity fund audits performed by the APS Internal Audit Department. The results of these audits concluded that fraudulent activity occurred at these two schools by two separate employees, one of which was terminated. Administrative action was taken against the other.

FS 09-01 Internal Control over Purchasing Card

Condition: During our testing of P-Cards, we noted some violations of purchasing card use. While these are being collected where necessary, the process is cumbersome and in need of improvement.

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Criteria: Sound financial management requires that the internal control over disbursement be exercised to prevent unauthorized use of a Purchasing Card.

Effect: Items are outstanding for a long period of time and may never be resolved.

Cause: The District does have a policy to enforce the repayment of personal P-Card charges, but there is no formal process by which this will be accomplished.

Auditor's Recommendation: We recommend that the District develop the current procedures to include a process of repayment and include consequences for not repaying the District.

Management Response: The Accounts Payable Department documents all purchasing card violations and informs cardholders of violations. The Purchasing Card Program Policies and Procedures list a number of violations in which a cardholder's privileges may be revoked, including personal or unauthorized use of the purchasing card. APS will take steps to improve the communication and enforcement of this policy, including communication of violations through the cardholder's supervisory channels. APS will also include the process of repayment when required, and add procedures including the Accounts Receivable Department's involvement and deadlines by which the repayment must be completed, (ie 30 days from date of receipt).

FS 09-02 Internal Control over Disbursements - Double Payment

Condition: The District issued a vendor a check which was voided in the general ledger; however, the actual check was not voided nor was the check voided in the check register. A second check was then issued to the same vendor on the same day. Both checks cleared by the bank. The District was subsequently reimbursed one payment from the vendor.

Criteria: Sound financial management requires that the internal control over disbursement be exercised to prevent unauthorized disbursements.

Effect: The District is expending excess cash which could result in expenditures going over budget.

Cause: A second check was issued without proper void or stop payment of the first check.

Auditor's Recommendation: We recommend that the District implement internal controls to ensure that checks are being processed properly.

Management Response: This issue occurred as a result of a vendor notifying the Accounts Payable department that a check for payment of services had not been received. Wells Fargo Bank was contacted by the AP Supervisor to confirm that the missing check

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had not been deposited and cleared the account. A new check was then immediately issued to the vendor; however, the "lost" check cleared the account within hours of the AP Supervisor's confirmation call. To avoid this situation in the future, the following process will be implemented:

1. Requests from vendors to reissue checks will be documented and immediate notification will be given to our bank that the original check issued is null and void.
2. Vendors will be informed that there will be a **3-5 day waiting period** before a new check is issued to insure that the original check is not cashed or deposited.
3. Our bank will be instructed to honor only the re-issued check

FS 09-03 Disposition of Property

Condition: During our current year testing of asset dispositions, it was noted that APS could not find written notification of asset dispositions sent to the state auditor.

Criteria: Section 13-6-1, NMSA 1978 (2.2.2.10 V NMAC) requires at least thirty days prior to any disposition of property on the agency inventory list, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of authority approving the action must be sent to the State Auditor.

Effect: This results in non-compliance of State Audit Rules.

Cause: The district is not tracking and/or not submitting a notification to the State Auditor regarding the disposition of property at least thirty days prior to disposition.

Auditor's Recommendation: We recommend that District Management and Capital Outlay Department implement a control to track and retain documentation of State Auditor notification regarding any disposition of property on the agency inventory list at least thirty days prior to disposition.

Management Response: Procedures are in place to follow up on Board Actions, collect signed documents, and send to the State Auditors' Office. In addition, Capital Fiscal Services is working closely with the Materials Management Director in the disposal process.

FS 09-04 IT Security of Password Policy and Regular Review of Network Security

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

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Criteria: Controls should be in place for the security of the network at Albuquerque Public Schools. A password policy should be uniform across the schools regardless of an employee's status or role, and should include access to even non-critical systems.

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

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

Auditor's Recommendation: We recommend that the District review their password policy and make necessary changes to help protect security of the network. Best practices state users should be required to change their passwords every 90 days, maintain password uniqueness, and use at least 8 alphanumeric characters in their passwords.

Management Response: Password policy enforcement was originally a part of the LSF9 Upgrade Project. Due to technical issues that were encountered, this was taken out of the current LSF9 go-live scheduled for Dec. 7, 2009. We believe the technical issues have been resolved and are working with Lawson to put this back into either the LSF9 Project or to implement the Password Project shortly after the go-live for LSF9. APS will review district policies/procedures to ensure that administrative system users are required to change their passwords at least every 90 days. APS has Security as part of our Project Portfolio that is being taken forward with the next Bond Election in Feb. 2010.

21st Century Charter School

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. Supporting documentation should be maintained for all non-standard journal entries.

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

Cause: The school had multiple journal entries made which needed to be corrected in order to properly show amounts on the financial statements..

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding the maintenance of supporting documentation of journal entries to ensure entries are proper and would have the desired effect..

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

FS 08-16 Budgetary Conditions

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

IDEA-B Entitlement	
Support Services	\$ 17,605
Teacher & Principal Training & Recruiting	
Support Services	\$ 2,249
Special Public School Capital Outlay	
Capital Outlay	\$ 95,832

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

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

Cause: The business manager failed to perform BARS at year end.

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

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

FS 09-05 ERB and RHC Reports and Contributions

Condition: During our testwork, we noted that the contributions according to the monthly reports did not agree to the general ledger. The reports submitted to the Educational Retirement Board and Retiree Health Care Administration should agree with the School general ledger for the fiscal year.

Criteria: NMAC 2.82.9.8 (C) requires that monthly contributions from employees and local administrative units be postmarked no later than the 15th day of the month following the month for which the contributions are withheld. Those contributions must be accurately reported and agree to School financial records.

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Effect: ERB and RHC reports either have not been filed inaccurately or filed without reconciliation to the general ledger. Lack of proper internal control and reconciliation over ERB and RHC reporting may result in fines and penalties.

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

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

Management Response: Reports are always submitted by the business office in a timely manner (by the 15th of each month). The management is currently working to implement the reconciliation between the general ledger and the reports. The Reports are reconciled to the payroll each month by the management to ensure correctness.

Academia de Lengua Y Cultura

FS 06-38 Segregation of Duties

Condition: The Business Manager for Academia De Lengua Y Cultura performs all accounting related functions with no oversight or review from the Principal or the Board. The Business Manager does provide a detailed payroll report for each payroll run and that is given to the Principal and the Board. This is the only oversight of the accounting department.

Criteria: According to NMSA 1978 Section 6-5-2, segregation of duties must be maintained.

Effect: Without proper supervision and review, it may be difficult to detect and correct mistakes and deter potential fraud.

Cause: Academia De Lengua Y Cultura relies solely on the expertise of the Business Manager to perform accounting related functions.

Auditor's Recommendation: The School must ensure that journal entries are reviewed and approved, bank reconciliations are reviewed. Internal controls should be in place and routinely followed.

Management's Response: This has since been corrected. All Journal Entries, Bank statements and reconciliations and Payroll registers are reviewed and signed by the Principal on a regular basis.

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FS 07-15 Payroll Transactions

Condition: During our testwork of 14 payroll and payroll related reports we noted 3 employees where a contract was not on file; 3 employees where an authorized insurance deduction form was not on file; and 1 employee whose license was not on file. We also found 5 employees whose FICA and Medicare deductions were not withheld at the correct rate 2 employees whose NMPSIA medical insurance was not withheld at the correct rate. We also noted 4 employees whose ERB was not withheld and 3 employees whose retiree healthcare deduction was not withheld.

Criteria: NMAC 6.20.2.18 states that schools must have internal controls in place so that employees are paid the correct amounts.

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

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

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

Management's Response: All employee files have all H/R documents on file as well as signed contracts. All mandated and voluntary deductions including taxes and other withholdings are being deducted at the correct rate(s). Payroll is being processed properly and on a timely basis. Currently payroll is processed by Wells Fargo Payroll Services; however as of January 1, 2010 payroll will be processed by the Business Manager of the school. The Principal reviews and approves all payroll registers.

FS 07-16 Internal Control over Financial Reporting

Condition: The individuals responsible for the accounting and reporting functions for the Charter lack the skills and knowledge to apply generally accepted accounting principles in preparing the entity's financial statements. The accounting management has not obtained training to adequately apply generally accepted accounting principles, which includes GASB 34 and subsequent pronouncements.

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Criteria: Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Effect: The Charter, without the aid of its auditors, is unable to accurately prepare financial statements in accordance with governmental accounting standards with regard to applying generally accepted accounting principles.

Cause: Individuals responsible for the accounting and reporting functions for the Charter have not received training in preparing governmental financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No 34 and subsequent pronouncements.

Auditor's Recommendation: We recommend the Charter's accounting management receive the training relating to the preparation of the Charter's financial statements in accordance with generally accepted accounting principles. This would give the individuals responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principles to the financial statements.

Management's Response: A new Business Manager was hired February 2009. The Principal and Business Manager continue to attend all classes offered by Albuquerque Public Schools (APS), Public Education Department (PED), New Mexico Coalition of Charter Schools and New Mexico School Business Officials (NMASBO).

FS 08-18 Board Minutes

Condition: During our audit, the client was unable to provide minutes for meetings on August 16, 2008 and February 17, 2009 during the year.

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

Effect: The School has no record of Board Meetings. Therefore, the school has no documentation.

Cause: The client was unable to locate minutes.

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

Management's Response: The meeting minutes have been transcribed and submitted to the School. The minutes for the February 17, 2009 meeting were misplaced but have

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been located and will be sent to the auditor. The Principal will insure that the minutes are taken on site by a person hired to do so. Said person will submit minutes within 48 hours of the meeting. The Director will see that all materials are kept at the School in an appropriate binder available for review.

FS 09-06 Internal Controls over Non-Standard Journal Entries

Condition: During our testwork of journal entries, we reviewed a sample of 5 journal entries and noted that 3 did not contain evidence of review and 1 did not contain supporting documentation and the description did not provide adequate information. The School does not have adequate internal controls over non-standard journal entries entered into its accounting system.

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

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

Cause: The School has limited knowledgeable staff that is able to review journal entries.

Auditor's Recommendation: We recommend the School update and implement its policies and procedures 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: This has since been corrected. All journal entries on file have sufficient back up documentation attached and detailed descriptions. All journal entries are reviewed and approved by the Principal prior to being entered into the financial management system (Apta).

FS 09-07 Bank Reconciliations

Condition: During our audit we noted that bank reconciliations did not have evidence of being properly reviewed.

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

Effect: The School's books and records are at risk for containing material misstatements (intentional or unintentional) that are not detected timely. Financial institutions limit the amount of time account holders have to notify the institution regarding errors in an account. After the time limit has passed the account holder is responsible for losses, not

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the financial institution. Therefore, the District could be liable for losses if the bank in not notified in a timely manner.

Cause: The Principal does not sign off that she reviews the bank reconciliation and therefore, there does not appear to be an implementation of internal controls to protect the School from possible fraud or misstatement.

Auditor's Recommendation: We recommend the Principal initial or sign and date the bank reconciliations once they have been properly reviewed.

Management's Response: This has since been corrected. All bank statements and reconciliations are reviewed and approved by the Principal on a monthly basis.

FS 09-08 Cash Disbursements

Condition: During our testwork of cash disbursements, we noted the following exceptions:

- (1) One of twenty disbursements tested did not have a vendor invoice.
- (2) One of twenty disbursements tested did not contain signed PO.
- (3) Five of twenty disbursements tested did not contain PO.
- (4) One of twenty disbursements tested had timesheet attached that signifies that there may be conflict of contractor employee relationship determination.

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.

Effect: The proper maintenance of supporting documentation relating to financial transactions is necessary to mitigate possible dual payment of invoices, resolution of disputes with vendors, etc. Improper control over cash disbursements documentation may result in fraudulent activity and improper internal and external reporting.

Cause: The School has not maintained or implemented sufficient internal controls over cash disbursements.

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

Management's Response: This has since been corrected. All disbursements are verified to ensure that all proper documentation (i.e. invoice, purchase order and packing slip or shipping order) is attached before payment is made. All invoices and purchase orders are verified and approved by Principal.

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FS 09-09 IRS Penalties

Condition: During our testwork, we noted that \$2,357.52 in 941 payments was paid late. The school received a penalty of \$1,048.90 for amounts being paid late.

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

Effect: The school received penalties for payments being made late. Penalties and other unnecessary expenditures adversely affect the financial position of the School, especially when budget constraints are tough.

Cause: The school did not make timely payments to the Internal Revenue Service relating to its payroll tax liabilities during the year.

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

Management's Response: All liability payments are reviewed and approved by Business Manager and Principal to ensure that payment(s) are made in a timely matter. All liability payments are being paid on time and we have not incurred any penalties and/or interest to this date.

FS 09-10 Internal Controls Over W-9s

Condition: During discussion with Business Manager, she indicated that the school currently does not have records of vendor W-9s for review by the auditor or IRS agents.

Criteria: State Board of Education Title 6, section 6.20.2.11 states that Policies and Procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principles are required. Sound business practice recommends proper record keeping of W-9s in order to report the correct name and taxpayer identification number per IRS regulation.

Effect: The School may fail to report accurate vendor information at year-end when 1099 reports are issued to the IRS. This may result in penalties and interest that would affect the Schools financial position.

Cause: The School filed the W-9s in the vendor files by fiscal year. This allowed certain year's records to become disposed of and eventually causing the School to not maintain proper records.

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Auditor's Recommendation: We recommend the School to update their policies and procedures manual regarding the record keeping of W-9s.

Management's Response: This has since been corrected. All W-9's that are received are filed and a copy is kept in the Business Managers office. The Federal ID # and/or Social Security #'s of vendors and independent contractors are entered into Apta to ensure that a 1099 is generated at the end of the year for those who were paid \$600.00 or more in a calendar year.

FS 09-11 Employees Paid as Contractors

Condition: During the testwork of travel and per diem, 4 out of the 4 sampled were paid for summer school services. These transactions were incorrectly paid from the accounts payable account and not processed as payroll transactions. As a result, applicable payroll taxes for the individuals at the School were not accurately processed.

Criteria: Per IRC 3121, wages subject to federal employment taxes generally include all pay that you give to an employee for services performed. The pay may be in cash or in other forms. It includes salaries, nonqualified deferred compensation recognized under Section 409A, vacation allowances, bonuses, commissions, and fringe benefits.

Effect: The School is in violation of IRC 3121 and could be subject to fines and/or penalties. Penalties and other unnecessary expenditures adversely affect the financial position of the School, especially when budget constraints are tough.

Cause: The prior Business Manager was not aware that the School could not process merit pay as a contractor.

Auditor's Recommendation: The School should ensure that all their employees are properly classified as employees versus contractors. The School should review IRC 3121 to determine the difference between an employee or a contractor. Procedures such as this will assist the School to process payroll related transactions properly and avoid possible fines and penalties.

Management's Response: All employees are paid as employees and contractors are paid as contractors to avoid fines and penalties. Employees who incur expenses pertaining to employee travel for professional development are reimbursed as long as proper documentation is submitted and approved by the Principal. 1099's are and will be issued accordingly.

FS 09-12 PED Reports

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

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

Effect: The school is not in compliance with NMAC 6.20.2.11 (b) (6) and Regulation SBE-6.

Cause: It appears that adjustments were made to the general ledger after the PED report was submitted.

Auditor's Recommendation: All reports sent to PED must agree to the general ledger. We recommend that all reports are reviewed before being submitted to PED.

Management's Response: All PED reports are reviewed and compared to the general ledger to ensure that they agree with one another. All reports are processed and submitted the State in a timely manner.

FS 09-13 Communication and Monitoring Controls - Audit Committee

Condition: The School has not utilized an audit committee which includes key members of management and at least one board member.

Criteria: State Board of Education Title 6, section 6.20.2.11 states "The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions." Effective internal controls structure requires the five component of internal control be addressed. Inadequate design of monitoring controls used to assess the design and operating effectiveness of the entity's internal control over time.

Effect: The internal control structure must include proper information and monitoring procedures. Not maintaining this structure may result in possible fraudulent activity or misinformation to those in charge of governance; resulting in poor operational decisions.

Cause: The School has not established or utilized a formalized audit committee to ensure proper monitoring controls are implemented.

Auditor's Recommendation: We recommend the School implement and utilize an audit committee to solidify internal control components of communication and monitoring.

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The audit committee should include no less than one board member. This is particularly important given recent developments with New Mexico School districts.

Management's Response: Internal controls and policies and procedures are in place and have been shared with and explained to all staff members. If questions arise staff members are advised to consult with the Business Manager to answer any questions and to ensure that the staff member(s) are following proper procedures. The Principal, Governing Council President and the Business Manager will discuss the implementation and utilization of an audit committee to solidify the communication and monitoring of the internal control components.

FS 09-14 BARS

Condition: During our testwork of BARs, we noted the following exception that there was an excess of \$3,168 budget in fund 24153 and an excess of \$4,011 in fund 27138.

Criteria: NMAC 6.20.2.10 states that each school shall submit budget adjustment requests for the operating budget for to the department for transfers between functional categories...and shall not be made by the school district until budget authority has been established and approval received from the department.

Effect: The proper maintenance of budget transfers is necessary to mitigate possible over expenditure of funds within allowed functions.

Cause: In this instance, the School did not maintain sufficient internal controls over budget transfers. Transfers must be processed through accurate and prudent approval processes.

Auditor's Recommendation: We recommend the School implement a budget transfer policy in accordance with NMAC 6.20.2.10 and consistently follow the policy. The policy should address a review mechanism to catch possible errors.

Management's Response: This has since been corrected. BAR's are prepared for all funds and presented to the governing council for approval. Once approved by the governing council and the principal they are submitted to the State through the OBMS system for review and approval. Once the BAR's are fully approved by the State the budget (i.e. revenue and expenditures) are entered into the financial management system (Apta).

FS 09-15 ERB and RHC Contributions

Condition: We noted the ERB payments and reports for July 2008 were not paid until August 25, 2008. We noted on the RHC reports for January were not sent until March 9, 2009.

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

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

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

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

Management's Response: This has since been corrected. All ERB & RHC payments are processed and paid in a timely manner.

Albuquerque Institute for Math and Science

FS 07-19 - 941 payments, ERB and RHC Contributions

Condition: During our test work, we noted that \$13,686.92 in 941 payments was paid late. The school received a penalty of \$256.22 for amounts being paid late. The RHC payments for July 2008 through March 2009 were late and made as a lump sum payment of \$14,164.48. The ERB contributions for July and August 2008 were submitted late.

Criteria: Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to "set out in detail, in a separate section, any violation of law or good accounting practices found by the auditor or examination." Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported. Monthly contributions to the Retiree Health Care (RHC) and Education Retirement Board (ERB) are required to be remitted no later than the 15th of the following month.

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

Cause: The school did not make timely payments to the Internal Revenue Service.

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

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Management's Response: IRS—The \$13,686.92 that the auditors noted was paid late represents 941 payments dating back to the Fourth Quarter of 2007. There was a failure on the part of the former business manager to make timely payments. That is NOT the case with respect to present operations. All back tax obligations were reviewed by the school following her termination, and all back payments were paid in lump sum just as soon as that review was complete. The school has been current with IRS payments since then. All 941 payments are made timely, which is verified by the payment records now kept by the school. These payments are made as payroll is uploaded, with the result that the tax payments are actually made **before** the payroll date, and well before these payments are due to the IRS. The school's records confirm these statements.

ERB—The Auditors noted late payments in July and August of 2008, some 15 months ago. This was during the transition period between the former and current business manager. There is no note of late payments following this time period, and all payments are now timely made.

RHC—These payments were reconciled, and then made in lump sum to RHC.

Auditor's Response: We noted that the fourth quarter payment for 2007 was paid in the current year, almost two years later. We also noted that the RHC payments for the months of July 2008-March 2009 were made as a lump sum payment to RHC instead of payments by the 10th of the month as required by RHC.

FS 07-21 – Budget Adjustment Requests (BARs)

Condition: During testwork, the school did not complete any BARs. We noted that they are required to complete BARS for Beginning Teacher Mentoring Grant and Public School Capital Outlay.

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

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

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

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

Management's Response: As noted by the auditors, this failure was the result of the turnover of Business Managers, and will not be repeated. (These Bars are accomplished at the beginning of the fiscal year after the awards are made. This was precisely the time of the turnover.)

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FS 07-23 - Payroll

Condition: During our review of payroll we noted the following:

- 1 employee was underpaid by \$1,575

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 of proper documentation in employee files.

Effect: Because there was no review process, the risk of fraudulent activity is increased and an employee was underpaid during the year.

Cause: Before the audit of prior year Moss Adams LLP was notified by the school that the previous Business Manager had intentionally circumvented the internal controls established by the school.

Auditor's Recommendation: We recommend that policies and procedures be established regarding monthly review of the payroll register.

Management's Response: This situation was due to an error made by the former business manager when salaries were entered for the 09 fiscal year. At the time of the transition between business managers, we were focused on the overpayment of teachers. It didn't occur to the present business manager to check for underpayments. In retrospect, it certainly should have. In any event, by the time the transition between business managers took place, teacher salaries had already been input into the system.

The school has undertaken a review of all payroll records, and implemented strict controls regarding same. Each and every payroll is requisitioned by the business manager, with an itemization of each employee's pay, prior to implementation. After the Director approves the pay requisition, it is implemented by the Business Manager. After the Business Manager has implemented payroll for the period, detailed records are compiled, and again submitted for review and approval by the Director. The school is in full compliance with 6.20.2.18.

FS 07-26 - Budgetary Conditions

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

Pubic School Capital Outlay	
Capital Outlay	\$115,407

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

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

Cause: The school was not maintaining their budget.

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

Management's Response: Fund 31200 was only over budget because no items were budgeted in those accounts. As addressed at the outset, this was the result of the transition between business managers at the beginning of the year. No BAR was put into place after the PSCOS award was made. These particular items are duplicate findings, already addressed in FS07-21 BAR's. Due to their nature, they are not reoccurring.

The only two functions over budget were the two mentioned above. Overall, the school reports actual expenditures \$76,336.99 **under** budget, and every other function reports under budget.

FS 08-19 - Cash Receipts-Inadequate Documentation

Condition: The school is was unable to produce one of the three cash receipt forms initialed by the reviewer. During cash receipt walkthrough testwork we also noted that none of the sample selected had supporting documentation such as pre-numbered receipt prepared.

Criteria: All cash receipts are required to have supporting documentation; including receipt of deposit that indicates deposit was made within 24 hours. NMAC 6.20.2.14 requires that the school shall issue a factory pre-numbered receipt for all money received.

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

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

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

Management's Response: When the school received checks by mail from parents for such things as testing registration, no receipt was generated. It had been the practice of the school to rely on the cancelled check as the parent's receipt. Aside from that, when ever monies were received in person at the school, pre-numbered receipts were issued.

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The school as since implemented a practice that no matter how monies are received, a pre-numbered receipt is issued.

FS 08-20 - Inadequate Segregation of Duties in the Receipting Process

Condition: During our review of the cash receipts process, we noted that the same person prepares the deposit slip, makes the deposit, records it in the system and prepares the monthly bank reconciliation.

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

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

Cause: The lack of segregation of duties is due to there being so few qualified employees which has left the business manager handling most of the receipting process.

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

Management's Response: As noted by the auditors, there are limited resources available, and a limited number of employees available. However, to the extent we are able, we have, and continue to segregate duties. Moreover, the Condition described above does not fully or accurately describe the school's practice. Monies received are receipted by the person taking it in. That is not usually the Business Manager, but either the Assistant Principal or the person in charge of the student activities that might have resulted in revenue. We have no food service, so there are in-frequent receipts to begin with. A pre-numbered receipt is issued by that person. That money is delivered to the business manager, who issues a receipt to that person. While he does prepare the deposit, it is the Director who actually makes the deposit. In addition, a third party reviews the deposit, and verifies that the deposit and receipt(s) match. Lastly, while the Business Manager prepares the Bank Rec., that Bank Rec. is reviewed and approved by the Director.

FS 08-21 - Journal Entries

Condition: We noted during testwork that 20 of 20 journal entries tested did not have supporting documentation, 16 of the 20 tested did not have a sufficient explanation of the entry to determine if it is reasonable, and one could not be located.

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

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

Cause: The school did not obtain proper approval for journal entries and did not maintain supporting documentation.

Auditor's Recommendation: We recommend that school develop procedure to ensure that all journal entries are reviewed and properly approved.

Management's Response: First, NMAC 6.20.2.17 which is cited by the auditors above, is entitled "Purchasing", and requires schools to establish policies and procedures consistent with the State's Procurement Code, Section 13-1-21 et seq. It has absolutely nothing to do with Journal Entries. Second, the school, as it is required to do, has policies in place with regard to Journal Entries. Specifically, when they are necessary, a Journal Entry is made by the Business Manager. We experience basically two types of journal entries. When a check is hand written at the point of purchase, that check is actually entered as a journal entry. This is due to the nature of our accounting software. In every such instance, as is verified by our vendor files, a receipt from that vendor is included along with the check stub and any other records that may have been generated. All such records are available for review. The only other type of Journal Entry we normally see, follows our routine uploads to OBMS. If we have a coding error, it is remedied by way of a journal entry.

In every instance, a hard copy of the Journal Entry is generated, and it is presented for review and approval to the Director. All records of all journal entries were kept and presented to the auditors. With regard to justification for the Journal Entry, in every instance a comment is entered in the comment field explaining why the entry was necessary, and that comment is made a part of the entry record. No other documentation is generated, either by our software or elsewhere. As such, all documentation available is compiled.

Auditor's Response: During testwork we noted that the explanation provided for the entries noted above was vague and not sufficient to determine the purpose of the entry without additional documentation. Additionally, one entry could not be found for review. Sufficient documentation should be kept on file for any reviewer to determine the purpose and accuracy of the entry.

FS 08-22 - PED Reports

Condition: The ending cash balances on the School's cash 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.

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

Cause: Due to cash not being reconciled throughout the year, the school reported the incorrect cash balance to PED.

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: At the beginning of FY 09, the school could not reconcile its cash report to the GL because it did not have correct beginning balances, or correct expense figures. These were the result of the intentional misconduct of the former business manager, the situation has been corrected, and the Cash Reports now balance with the GL. The PED has been fully appraised of the situation all along, and it was the PED who instructed the school to begin using the opening balance numbers we now use in that they now do reconcile with the GL. This was all verified to the auditors by email from the PED Budget Analyst. These reports have been reviewed and approved by that same Budget Analyst.

Cash was in fact reconciled throughout the year. Bank rec's were performed each and every month, and balanced to the GL each and every month. The primary issue with regard to the cash report not balancing to the GL had to do with the pre-existing balances on that report, not the income and expense figures submitted each month.

6.20.2.11 (B) (6), NMAC provides that schools shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail account balances, and review of computer generated reports. In **EVERY** respect, with regard to **EVERY** such item, the school complies with this section. **EVERY** report generated by the Business Manager is submitted to and approved by the Director. All tax payments, ERB, RHC, NMPSIA, payroll, NM Tax & Rev, and every disbursement is submitted to and approved by the Director. All reports, Journal Entries, Bank Reconciliations, deposits and every other business is reviewed and approved by the Director. There is not one area where the school does not comply with 6.20.2.11 (B)(6).

Auditor's Response: During the exit conference, the Business Manager indicated that the difference on the PED report was due to the bank reconciliations noted being correct in the prior year. The Business Manager also indicated that there were changes to the General ledger after the report was submitted.

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FS 08-23 Difference with General Ledger

Condition: 941 and RHC reports did not reconcile to the general ledger for the year ended June 30, 2009. 941 reports had a difference of \$3,467. RHC reports had a difference of \$5,711.

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

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

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 and RHC payments to ensure the correct amounts are being submitted.

*Management's Response:*Re: 941 Reports – The school filed a 941-X, amending its 941 for the second quarter (calendar year) of 2009. This amendment was presented during the audit. When taken into account, the 941's match the GL. Moreover, payments actually made and verified by receipts through EFTPS match what was due. RHC -- The school agrees that the RHC payments were late.

The school agrees that it should periodically reconcile the GL to these reports, and in fact does so. This is done each and every month as these payments are balanced along with the school's checking account, which is also balanced to the GL.

Auditor's response: During the exit conference, it was noted that the school did not know why these differences occurred. The school has indicated that they have started to reconcile these reports monthly.

FS 08-24 Internal Control Structure

Condition: During testwork we noted the following

- School was unable to provide grant award for Beginning Teacher Mentoring.
- We noted that cash receipts for instructional materials were posted in the wrong fund.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's

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authorization and recorded property to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Business Manager did not know where to post funds received.

Effect: School is not in compliance with NMAC 6.20.2.11.

Auditor's Recommendation: Account coding should be carefully checked against invoice and purchase order. Additionally, management should ensure that all internal control policies and procedures are being effectively implemented and that no one has the ability to circumvent these controls.

Management's Response: Re: Grant Award: This was specifically a result of the transition between business managers. The current manager could not find any award letter, and the former Business Manager was not available.

Re: The incorrect posting of the cash receipt was inadvertent, and happened right at the time of the transition. It will not be repeated.

FS 09-16 - Checks Issued

Condition: During review of cancelled checks, we noted that checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: The School could be liable to pay a check that would be potentially cancelled.

Cause: The School does not order checks with required words on face.

Auditor's Recommendation: We recommend the foundation order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The school agrees that its checks did not have the notation that it was void after 1 year. It will correct this deficiency.

FS 09-17 - Cash Disbursements

Condition: During our test work we noted the following:

- Three out of three transactions in which requisition showing principal approval could not be located.

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

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

Cause: The school is not following their policies and procedures requiring approval of purchases.

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

Management's Response: The school takes exception with this finding. The "Condition" stated is that "Three out of three transactions in which requisition showing principal approval could not be located." This completely misstates the condition.

During the interview, it was clearly and emphatically stated that the Director approves ALL requisitions in advance. No transaction is initiated with out the prior approval of the Director. Finally, that the Director confirmed her approval of the transaction by virtue of her signature on the check paying for any purchase. The issue raised by the auditors was that the school did not keep a written record of the Director's prior approval. The school implemented written approval of all requisitions back in August, when this was first discussed. But it should be noted that the policy of prior approval has always been, and remains, the policy of the school. The school has followed that policy.

FS 09-18 Procurement Code

Condition: We noted that 1 item did not go out for bid. We also noted that for another vendor they should have received three bids before it was approved.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School was unclear as to a specific service and the procurement code's requirements.

Auditor's Recommendation: We recommend that the school designate a procurement agent who would be accountable for maintaining records and ensuring State and Federal

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procurement policies are being implemented and followed.

Management's Response: The school agrees with this finding. It should be noted, however, that it was the result of a unique circumstance that will not be repeated. Specifically, due to the intentional misconduct of the former business manager, the school undertook to minimize spending throughout the FY. Simply put, the school had to operate without knowing what it would ultimately find regarding fraud and misappropriation. As such, the school found itself with a surplus of cash immediately before the end of the fiscal year. Purchases were made that had otherwise been intended earlier in the year. Due to the time limits, the school inadvertently over spent with one vendor (Staples) on office supplies and office furniture (student desks). It was simply an oversight, and a result of the transition between business managers and limited personnel. The school has already taken steps to see to it that this is not repeated.

FS 09-19 — Prior Period Restatements

Condition: The School notified the auditors of prior period restatements to beginning net assets. A prior period adjustment, in the amount of \$64,580, was required to correctly state cash and fund balance for the General Fund. Prior year income was overstated by \$64,580. This school's cash did not reconcile on June 30, 2008. The prior period adjustment resulted in a decrease in cash and decrease in unrestricted net assets of \$64,580.

Criteria: According to NMAC 6.20.2.14 the school shall maintain cash control ledger for each fund/subfund where all transactions affecting cash are recorded. Cash balances reported to the department shall be the same as the schools cash control ledger and annual audit.

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 and did not follow existing procedures with respect to capital asset account balance reconciliations.

Effect: The School allowed prior year net assets to be overstated.

Auditor's Recommendation: The School should ensure that all cash transactions are properly recorded and that all bank reconciliations are being properly completed.

Management Response: 1. The school notified the auditors that an adjustment had been made to opening cash balances in order for the school to proceed into the current fiscal year. Moreover, the school specifically notified the auditors that the offset to fund balance was purely arbitrary, and that it could perhaps more appropriately be applied to A/R instead. Prior year income was not overstated, rather prior year expenses were understated. 2. In fact, all transactions affecting cash were recorded, to the extent that

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amounts were subtracted from the cash balances. However, since the expense could not be properly recorded to its correct ledger account, expenses were understated. 3. The particular prior period adjustment was intended only to all the school to proceed into the next fiscal year, with the expectation that the expense information would be obtained and entered. 4. The school was completely proactive in reporting this situation, and has remained in the forefront in efforts to obtain the information necessary to reconcile its books. In fact, if the information requested by the school had been provided, it would have been able to reconcile these accounts. The school has had no ability to obtain these records on its own, and has had to rely on other agencies and law enforcement . As such, the school never "allowed" prior year assets to be overstated. The school has notified every possible agency and entity of the situation, to insure that all parties were fully aware of its situation. 5. The school would emphasize that neither its own policies and procedures, nor those of the district, were such as to be able to prevent the type of misconduct perpetrated upon it. In spite of sound accounting practices, the school's former business manager undertook deceptive and illegal activities. It was because of the school's policies and procedures that this misconduct was discovered. 6. The school has undertaken every step possible to ensure that state law is met. Bank accounts are reconciled monthly with the GL. Oversight is firmly in place. The school has sought out, and implemented the advice of the auditors, its software providers and its own CPA to ensure that sound practices are in place and followed.

Amy Biehl Charter High School

FS 07-05 Disbursement

Condition: During our test work of cash disbursements, we noted that a purchase order for \$361.00 was completed after the order was made to the vendor.

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

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.

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

Auditor's Recommendation: We recommend that policies and procedures be established that outline 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: Amy Biehl High School agrees with this finding with explanation. The date on the purchase order is incorrect. The Finance Director will be more attentive to the dates on purchase orders when they are submitted and have the

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requesting staff member correct the date and resubmit the purchase order if the submission date is incorrect.

FS 08-30 Budgetary Conditions

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

Microsoft Settlement	
Instruction	\$ 4,889
ABHS Foundation	
Capital Outlay	\$ 25
Library GO Bond	
Support Services	\$ 107

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

Effect: The school is not in compliance with laws.

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

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

Management's Response: Amy Biehl High School agrees with the Microsoft Settlement Funds finding, with explanation:

The \$4,889 in question is part of the Microsoft Rebate Settlement. Funds have to be expended and then a rebate request has to be submitted to be reimbursed for the expenditure. The Finance Director was misinformed by the schools (former) PED Budget Analyst that a Budget Adjustment Request (BAR) on the \$4,889 could not be requested until the rebate was received. The school was following PED directives.

Amy Biehl High School agrees with the \$25 and the \$107.

1. The \$25 was a payment made at the end of June, after the deadline for a BAR could be submitted.

2. The \$107 was expended and was a payable at the end of the previous year. At that time there was budget authority for this. A new BAR was not submitted at the beginning of the new fiscal year when the bill was paid.

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FS 08-32 PNM Award

Condition: During our test work of revenue in prior year, we noted that the school did not spend all of their PNM grant money by May 1, 2008. The school called the grantor in September 2008 and was allowed to submit a plan. There was no documentation regarding whether a plan had been submitted. The school failed to complete a plan of how they plan to spend the remaining funds until the audit.

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

Effect: School is not in compliance with grant requirements.

Cause: This was due to a change in lead teachers administering the grant.

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

Management's Response: Amy Biehl High School agrees with this finding. The PNM grants are submitted by, and given directly to, teachers. The teachers in question failed to follow PNM's guidelines set forth in the grants regarding reporting requirements. The teachers have subsequently filed the required reports.

FS 08-33 Inadequate Segregation of Duties in the Receipting Process

Condition: During our review of the cash receipts process, we noted that the same person preparing the deposit slip also takes the deposit to the bank and posts in the accounting system for the Schools Activity Fund.

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

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

Cause: The lack of segregation of duties is due to there being so few qualified employees which has left the business manager handling most of the receipting process.

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

Management's Response: Amy Biehl High School agrees with this finding, with explanation. Normally, segregation of duties procedures are followed at ABHS. The

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funds received for the deposit in question were received while school was on break. All administrative personnel were on their vacations. The Finance Director, being aware that all monies received must be deposited within 24 hours had no choice but to receipt the check received and make the deposit. In essence, the Finance Director broke the rule of segregation of duties in order to comply with the rule of depositing money within 24 hours of it being received.

FS 09-20 Checks Issued

Condition: During review of cancelled checks, we noted manual checks issued did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School did not order all checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: Amy Biehl High School agrees with this finding. Most checks written are computer generated checks that have the phrase "void after one year from issue date" printed on them when the check is printed. The check in question was a manual check. Manual checks are used infrequently, and the check stock was purchased many years ago, before the school was aware that this phrase was mandated to be printed on all checks. To rectify this, the school will have a rubber stamp made with the above mentioned phrase and this will be used to stamp all remaining manual check stock. When new check stock is ordered the school will insure that this phrase is pre-printed on the checks.

FS 09-21 Cash receipts

Condition: During our testwork we noted the pre-numbered cash receipt was dated after the deposit was made at the bank. Total amount of deposit was \$50.00.

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

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

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Cause: The likely cause is forgetting to make the cash receipt when monies were received.

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 with explanation. The date on the receipt is incorrect. The Finance Director will be more attentive to the dates on receipts when they are submitted and have the issuing employee correct the date if it is incorrect.

FS 09-22 Credit Card Penalties

Condition: During our test work, we noted that the school paid late fees and finance charges on credit cards for the months of August 2008 and September 2008 in the amounts of \$63.39 and \$25.34, respectively.

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

Effect: This resulted in unnecessary costs that the school would not have had if the payments were not made late. We do not consider this to benefit to the students.

Cause: The school paid unnecessary late fees and finance charges on items purchased on credit.

Auditor's Recommendation: We recommend the school implement policies and procedures to insure that the school does not pay late fees/penalties on credit cards.

Management's Response: Amy Biehl High School disputes this finding. Although the \$89 in question could have been better spent, there is nothing in NMAC 6.20.2 which expressly states that late fees and finance charge expenses are an unallowable expenditure. New Mexico Statutes do state that if contractually mandated these fees are an allowable expense. The contract with the card company states that these fees must be paid if a payment is late, thus this is an allowable expense.

Auditor's response: Regardless of whether the contract with the credit card company binds the school to pay fees, had the payment not made late, the credit card company would not have imposed unnecessary fees. Sound business practices require that payments be made timely.

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Amy Biehl Charter High School Foundation

FS 09-23 Fees/Finance Charges on Credit Cards

Condition: During our test work, we noted that the foundation paid late fees and finance charges on credit cards for the month of October 2008 in the amounts of \$33.24.

Criteria: Per policies and procedures for credit cards, the credit card will be paid in full each month. No carryover of debt will be allowed.

Effect: This resulted in unnecessary costs incurred by the foundation.

Cause: The foundation made late payments.

Auditor's Recommendation: We recommend the foundation implement policies and procedures to insure that the foundation does not abuse public funds and insure that all amounts paid are current.

Management's Response: Amy Biehl High School Foundation agrees with this finding. Every effort is made to pay this bill on time each month per the policies implemented by the Foundation. It is uncertain as to why the bill was paid late in this month, but it has not happened before or after this event. The Foundation's bookkeeper will be more mindful to assure that this bill is paid in a timely manner.

Career, Academic & Technology Academy

FS 08-40 Internal Controls over Non-Standard Journal Entries

Condition: During our testwork we noted 5 out of 8 journal entries tested were not properly approved. We also noted that 4 out of 8 journal entries did not have supporting documentation.

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

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

Cause: The School had limited knowledgeable staff that would be capable to review journal entries.

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding the review and approval of manual journal entries and

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implement a procedure to ensure non-standard journal entries are reviewed, approved and supported.

Management's Response: This was a result of the School's prior business manager not submitting all journal entries to the School for review and approval. The School has hired a new business manager as of July 1, 2009. The new business manager is assisting the School in implementing controls to ensure journal entries and bank reconciliations are performed timely, reviewed and properly approved in the future.

FS 08-44 Travel & Per Diem

Condition: During our testwork we noted two out of three transactions tested did not have any supporting documentation in the amounts of \$215 and \$860.

Criteria: According to NMAC 6.2.20.2.19, 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.

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

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

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

Management's Response: These items were a result of the School's prior business manager not performing his/her duties by maintaining appropriate supporting documentation. The School has hired a new business manager as of July 1, 2009. Travel and per diem will be processed accurately and supporting documentation maintained. In addition, the new business manager is assisting the School in implementing controls to ensure supporting documentation is properly maintained in the future.

FS 09-24 Bank Reconciliations

Condition: During our audit we noted that bank reconciliations for the year were not being completed timely. We also noted there was no evidence that bank reconciliations are being reviewed.

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

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

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

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

Management's Response: During the year ended June 30, 2009, the School did not perform all bank reconciliations timely. This was a result of the School's prior business manager not performing his/her duties in a timely fashion. The School has hired a new business manager as of July 1, 2009. Bank reconciliations for the year ended June 30, 2009 have been corrected brought up-to-date by the new business manager. In addition, the new business manager is assisting the School in implementing controls to ensure bank reconciliations are performed timely and reviewed in the future.

FS 09-25 Budgetary Conditions

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

General fund	
Support Services	46,411
Instructional Materials	
Instruction	43,043
IDEA B	
Support Services	151
Federal Stimulus	
Instructional Support	50,000

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

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

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

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

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Management's Response: This was a result of the School's prior business manager not submitting budget adjustment requests in a timely fashion. The School has hired a new business manager as of July 1, 2009. The new business manager is assisting the School in implementing controls to ensure BAR's are submitted to PED timely in an attempt to avoid findings related to budget over-expenditure in the future.

FS 09-26 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to perform a BAR for the SEG decrease.
- We noted that the school budgeted more than available for the Federal Charter School Grant award.

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

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

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

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

Management's Response: During the year ended June 30, 2009, the School failed to submit BARs for the funds noted above. This was a result of the School's prior business manager not performing his/her duties in a timely fashion. The School has hired a new business manager as of July 1, 2009. Currently BARs have been submitted timely to PED. In addition, the new business manager is assisting the School in implementing controls to ensure timely submittal of BARs.

FS 09-27 941 Payments

Condition: During our test work, we noted 941 payments were paid late. The school received a penalty of \$147.40 for amounts being paid late.

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

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accounting practices found by the auditor or examination.” Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

Effect: The school received penalties for payments being made late.

Cause: Payments were made late due to the change in business managers during the year. The school had four different business managers in FY 2009.

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

Management's Response: During the year ended June 30, 2009, the School did not submit all 941 forms timely. This was a result of the School's prior business manager not performing his/her duties in a timely fashion. The School has hired a new business manager as of July 1, 2009. In addition, the new business manager is assisting the School in implementing controls to ensure 941 forms are properly processed in a timely manner in the future.

FS 09-28 Segregation of Duties-Disbursements

Condition: The principal has administrative rights in APTA, access to the blank check stock, can sign Purchase Order's, and can be the only check signer on checks up to \$5,000.

Criteria: According to NMSA 1978 Section 6-5-2, segregation of duties must be maintained.

Effect: Without proper supervision and review, it may be difficult to detect and correct mistakes and deter potential fraud.

Cause: Due to the several changes in business managers over the last year, the principal was given administrative rights in order to perform accounting functions if necessary.

Auditor's Recommendation: The School must ensure that duties and functions are segregated so as to not give one person the ability to record, authorize, and use assets without review or authorization.

Management's Response: The School has hired a new business manager as of July 1, 2009 and we are currently evaluating internal policies and procedures to ensure proper segregation of duties. The School's limited financial resources will be taken into consideration when determining segregation of duties.

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FS 09-29 Procurement Code

Condition: During the year ended June 30, 2009 we noted that the school did not go out to bid for IT Services. Total amount paid to vendor was \$66,075.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School was unclear as to a specific service and the procurement code's requirements.

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

Management's Response: The School follows and will continue to follow State procurement regulations. In this case, the professional services were purchased and unintentionally went over the procurement requirement of \$50,000. The School and its new business manager service will monitor these situations more closely in the next fiscal year.

FS 09-30-Timely Deposits /Receipts

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

- We noted there was no pre-numbered receipts attached on 2 out of 3 transactions. We noted that a deposit in the amount of \$10,000 was date stamped but was not deposited timely. We could not determine whether the second deposit was deposited timely in the amount of \$130.18.

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

Effect: The finding resulted in a violation of State law. Additionally, Cash receipts sit in an unsafe and unsecure box for more than 24 hours. Checks could be lost or stolen and are not being recorded when received.

Cause: Checks are put in a locked school mail box on a daily basis however the business office only checks the box every Monday and Thursday. School does not have a receipt book with pre-numbered receipts where they record receipts received.

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Auditor's Recommendation: We recommend the school implement procedures to ensure deposits are made within 24 hours of receipt.

Management's Response: During the year ended June 30, 2009, the School did not have an internal control structure to ensure that deposits are being made timely. The School has hired a new business manager as of July 1, 2009. The new business manager is assisting the School in implementing controls to ensure compliance with the NMAC 6.20.2.14.

FS 09-31 PED Cash Reports/Budget Reports

Condition: We noted the cash report and the budget to actual reports were not submitted to the state by the July 31, 2009 deadline.

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

Effect: The school is in violation of NMAC 6.20.2.9.

Cause: The school changed business managers at the end of the fiscal year. Reports could not be submitted until bank reconciliations were completed.

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

Management's Response: During the year ended June 30, 2009, the School did not perform all bank reconciliations timely which resulted in the PED reports not being submitted timely. This was a result of the School's prior business manager not performing his/her duties in a timely fashion. The School has hired a new business manager as of July 1, 2009. Bank reconciliations as well as PED reports for the year ended June 30, 2009 have been brought up-to-date by the new business manager.

FS 09-32 RHC/ERB Contributions

Condition: During our test work we noted the RHC report for July 31, 2008 (\$914.75) was not submitted until August 28, 2008, December 31, 2008 (\$1,002.89) was not submitted until January 14, 2009, and June 30, 2009 (\$1,079.77) was not submitted until July 14, 2009. We also noted that the school did not submit a report for the January 2009 payroll but submitted with the February 2009 report.

We also noted that ERB payments for January 31, 2009 (\$10,409) was not paid until March 4, 2009, June 30, 2009 (\$7,410) was not paid until July 23, 2009, June 30, 2009 (\$6,379) was not paid until August 10, 2009, June 30, 2009 (\$3,007) was not paid until September 14, 2009.

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

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

Cause: Payments were made late due to the change in business managers during the year. The school had four different business managers in FY 2009.

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

Management's Response: The School has hired a new business manager as of July 1, 2009 to process and ensure RHC and ERB reports are submitted timely.

FS 09-33 Lack of Signatory Authority on Payroll Registers

Condition: During our review of payroll, we noted out of all the payroll registers that we reviewed, none of them had any type of authorization/review sign offs. We noted that there were no controls in place to keep employees from being paid the wrong amounts.

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

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

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

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

Management's Response: During the year ended June 30, 2009, the School did not have procedures in place for payroll register approval. This was a result of the School's prior business manager not performing his/her duties. The School has hired a new business manager as of July 1, 2009. Payroll registers are now being reviewed and approved by the Principal prior to payroll being processed. In addition, the new business manager is

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assisting the School in implementing controls to that all payroll registers are being reviewed and approved.

FS 09-34 941/ERB Difference with General Ledger

Condition: 941 reports did not reconcile to the general ledger for the year ended June 30, 2009. 941 reports had a difference of \$3,544. We also noted that ERB had an irreconcilable difference of \$2,045.

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

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

Cause: School had turnover during the fiscal year, and this was an oversight.

Auditor's Recommendation: The School must reconcile the general ledger to the 941 contributions to ensure the correct contributions are being submitted.

Management's Response: The School has hired a new business manager as of July 1, 2009 to process and ensure payroll taxes and ERB reports are reconciled to the general ledger. The School is also implementing controls to reconcile reports to the general ledger periodically.

Cesar Chavez Community School

FS 09-35 RHC & ERB Contributions

Condition: During our test work we noted the RHC payment for May 31, 2009 (\$2,392.51) was not submitted until June 18, 2009, payment for April 30, 2009 (\$1,631.95) was not submitted until May 26, 2009, and payment for February 28, 2009 (\$1,623.2) was not submitted until March 12, 2009. We noted that the ERB report for May 31, 2009 (\$23,450.61) was not filed until June 17, 2009.

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

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

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Cause: Payments were not made by the 10th of the month for RHC and the 15th of the month for ERB in the above cases due to varying factors.

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

Management's Response: The school has internal controls in place and will ensure that all RHC payments are made by the 10th of the month and all ERB payments are made by the 15th of the month.

FS 09-36 Bank Reconciliations

Condition: We noted there is no evidence that bank reconciliations are being reviewed.

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

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

Cause: Principal does not sign off on bank reconciliations when she reviews.

Auditor's Recommendation: We recommend that bank reconciliations be reviewed by someone other than the person preparing them. We also recommend that the person reviewing, sign-off that they have reviewed.

Management's Response: Due to the limited staff within the school, bank reconciliations were not being reviewed by anyone other than the Business Manager who prepares them. The Principal did review all bank statements and initialed after review. A financial report consisting of cash balances by fund and disbursements and deposits was submitted to the Governance Council on a monthly basis. Bank reconciliations will be included with the monthly financial report and presented for review to the Governance Council on a monthly basis. Acceptance will be noted in the meeting minutes.

FS 09-37 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

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Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The school has requested that financial system Software Company change the check printing template so that "VOID AFTER ONE YEAR FROM DATE" be printed on the face of all checks.

Christine Duncan Charter School

FS 07-35 941 Reports

Condition: During field work, we noted reports for 09/30/2008 was not submitted until 01/14/2009. We also noted the report for 03/31/2009 was not submitted until 05/29/2009.

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

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

Cause: The school failed to complete the reports on time.

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

Management's Response: 941 reports have been untimely due to lack of work-load resources at Mpower. The issue of timely completed of 941 reports has been discussed with the Schools Office Manager who will be taking over this function in house beginning October 2009.

FS 07-38 Internal Controls Over Non-Standard Journal Entries

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into the accounting system. Of the 7 entries tested, 5 did not have any documentation. Of the remaining entries 2 were not properly approved.

Criteria: According to the State Board of Education Title 6, Section 6.20.2.11, Policies and Procedures documenting administrative and accounting controls in accordance with

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Generally Accepted Accounting Principles are required. Sound business practice recommends review and approval of all non-standard journal entries.

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

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

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

Management's Response: The issue of having journal entries reviewed by the administrator has been discussed by Mpower with the school who will be taking over this function in house beginning in October 2009.

FS 07-40 Personnel Files

Condition: During our test work of payroll we noted that a contract, I-9, W-4 were completed by the employee significantly after the employee had been hired.

Criteria: State Regulation 6.20.2.18, NMAC states that the School must maintain and have available for inspection all payroll related documentation, including, but not limited to employee contracts.

Effect: The lack of timely documentation may result in the School incurring additional liabilities. This is a material weakness as there could be employees getting paid at incorrect rates.

Cause: Necessary documentation, i.e. contracts, may not be consistently maintained within personnel files at the School.

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding personnel files to insure that files have proper documentation.

Management's Response: MPower has discussed with the business office staff responsible for ensuring all personnel records are kept current.

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FS 07-43 Contracts

Condition: During our test work we noted a contract for an employee did not have a beginning or ending date. We also noted that the contract was not properly approved by the Principal or President of the Board.

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

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

Cause: The school likely forgot to have employee complete paperwork.

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

Management's Response: This issue has resulted in a change in practice regarding the contracting of after-school employees.

FS 07-46 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to request a BAR for an increase in Federal Stimulus, Library Funds and Title III money.

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

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

Cause: The school did not follow directs given my grant awards.

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

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Management's Response: The school is aware that a BAR is needed for an increase in Federal Stimulus, Library Funds and Title III money. The school will be taking over this function in house beginning October 2009.

FS 07-50 Internal Control Structure

Condition: During our test work we noted the following:

- A cash receipt of \$2,706 was incorrectly posted in the general ledger.
- The school did not have any supporting documentation for old outstanding checks carried over from the Apta fund system.

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

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

Cause: Expenses are being posted to the incorrect general ledger accounts.

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

Management's Response: The revenue from this grant was historically booked to fund 27168 "After School Enrichment" but in FY 2009 when MPower submitted the BAR to PED, they were directed to use fund 26177 entitled Elementary Middle School. The original bar was denied and a new bar for the new fund was submitted and approved.

The financial records for past outstanding checks are not available. Records for checks currently deemed outstanding are on file for FY09 at the school.

FS 08-49 Cash Disbursements

Condition: During our testwork of cash disbursement, we noted the following exceptions:

- The purchase order was created after the service date on the invoice. Total amount of purchase was \$70.70.

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.

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Effect: The proper maintenance of supporting documentation relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

Cause: The school failed to complete the purchase order and approve before services for internet were ordered.

Auditor's Recommendation: We recommend the School follow all policies and procedures.

Management Response: This is an issue MPower discussed with the Assistant Business Manager who in turn discussed with the Administrator and as a result we hope to eliminate this practice in the future.

FS 08-51 Bank Reconciliations

Condition: During our audit we noted that bank reconciliations for July 2008 was not produced until November 20, 2008, August-September 2008 were not produced until December 2, 2008 and October-November 2008 were not produced until February 18, 2009.

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

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

Cause: Due to the overloading schedule of the business manager, the school failed to reconcile bank accounts timely.

Auditor's Recommendation: We recommend the school reconcile bank accounts on a timely basis.

Management's Response: Bank reconciliations are prepared by Mpower on a first in first out basis resulting sometimes in extended preparation time. The issue of timely completion of bank reconciliations has been discussed with the schools office manager who will be taking over this function in house beginning in October 2009.

FS 08-52 Anti-Donation

Condition: During our audit we noted the following:

- We noted the school pays for the principal's cell phone. However, the principal does not keep track whether it's for personal or business use.

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

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

Cause: The school did not know they should keep track of these items.

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

Management's Response: The school has eliminated the use of personal cell phone use for some employees and is considering allocation of cell phone charges to exclude an amount associated with personal use.

FS 09-38 Inadequate Segregation of Duties in the Receipting Process

Condition: During our review of the cash receipts process, we noted that the same person preparing the deposit slip also takes the deposit to the bank.

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

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

Cause: The lack of segregation of duties is due to there being so few qualified employees which has left the business manager handling most of the receipting process.

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

Management's Response: MPower has discussed with the school and duties have been changed to segregate duties pertaining to cash receipts.

FS 09-39 Checks Issued

Condition: During review of cancelled checks, we noted checks issued did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

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Effect: School is in violation of NMAC 6.20.2.14.

Cause: School did not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: Any future check orders will be modified to include the language "Void after one year".

FS 09-40 Safe-guarding of Assets

Condition: Cashiers checks were created to replace payroll checks, however, the payroll checks cleared in August and September 2007. The cashiers' checks were recently located in a drawer and taken to the bank for deposit. These checks were never properly recorded on the books.

Criteria: Per NMAC 6.20.2.11 every school shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition.

Effect: This resulted in a violation of NM AC 6.20.2.11 (b) as cashiers checks could have been stolen or not been located at all.

Cause: School did not properly keep track of cashiers checks issued in prior years.

Auditor's Recommendation: We recommend school create policies and procedures to ensure that all assets are properly safeguarded.

Management's Response: As previously discussed, the check was found by the business manager in some documents she was reviewing at the school.

FS 09-41 – Budgetary Conditions

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

Title III		
Direct Instruction		\$2,825
Support Services		\$ 235
2008 Library Fund		
Support Services		\$ 340

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

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

Cause: The School did not make necessary budgetary bars for the current year.

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

Management Response: The school will monitor expenditures to ensure they do not exceed budgetary authority.

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

Condition: During our test work we could not agree the beginning or ending balance on the cash report to the prior year audited financial statements and the final trial balance. We noted that due to/from amounts do not balance. We also could not agree the receivable/payable amounts for the general fund. We do not believe that the general fund is being reported to PED correctly.

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

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

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

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

Management’s Response: This issue has resulted in a change of practice by the school who will be taking over this function in house beginning in October 2009.

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Creative Education Preparatory Institute #1

FS 06-59 PED Cash Reports/Budget Reports

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

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

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

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

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

Management's Response: The School will implement procedure under its new business manager to ensure all PED reports agree with the general ledger.

FS 08-54 Bank Reconciliations

Condition: During our test of the cash balance we noted that the bank reconciliation did not agree to the general ledger.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

Effect: The School has a potential for fraudulent activity within its cash accounts.

Cause: This was due to the change in business managers at year-end.

Auditor's Recommendation: We recommend the School require that bank reconciliations be performed timely and reviewed for accuracy.

Management's Response: The School will implement procedure under its new business manager to ensure all bank reconciliations be performed timely and reviewed for accuracy.

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FS 09-43 Cell Phone

Condition: During our audit we noted the following:

- We noted the school pays for the principal's cell phone. However, the principal does not keep track whether it's for personal or business use.

Criteria: Section 280F (d)(4)(A)(v) provides that "listed property" includes any cellular telephone. Per IRS bulletin 2009-23, an employee must include in gross income the amount, if any, paid for the benefit or on behalf of the employee.

Effect: The school is in violation of the IRS rules.

Cause: The school did not know they should keep track of these items.

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

Management's Response: The School's principal is required to work hours outside the school day for which cell phones are required, i.e. in a case in which an alarm goes off at the school on a weekend. The personal use of the cell phone is limited and is not abused as the cell phone hours are not exceeded. The School has discussed this matter with other agencies and the policy is comparable. In the future, the School will formalize the cell phone usage policy.

FS 09-44 Checks Issued

Condition: During review of cancelled checks, we noted checks issued did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School did not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The School has a process in which voided checks are "de-faced". This policy was processed and implemented during the year ended June 30, 2009. New checks ordered during the year indicate that checks are "void" after 90 days. We believe that this finding should be removed.

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FS 09-45 Cash Disbursements

Condition: During our testwork, we noted the following exceptions:

- The purchase orders are being created for credit card items after the statement is being received.
- We noted that the PO was completed after trainings for reimbursement of meals/mileage.
- We noted credit card receipts were missing in the amount of \$158.87.

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.

Effect: The proper maintenance of supporting documentation relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

Cause: The school failed to complete the purchase order and approve before services for internet were ordered.

Auditor's Recommendation: We recommend the School follow all policies and procedures.

Management Response: The School has implemented procedures to ensure PO's are processed properly. The School will continue to process PO's within State requirement. PO's are not required for recurring items or emergency purchases.

FS 09-46 Credit Card Penalties

Condition: During our test work, we noted that the school paid finance charges on credit cards for the months of February 2009 in the amount of \$12.57.

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

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

Cause: This was due to the Business Manager being sick during the time the bill was due.

Auditor's Recommendation: We recommend the school implement policies and procedures to ensure that the school does not abuse public funds and insures that all amounts paid are current.

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Management's Response: The School is aware of the finance charges and has implemented procedures to ensure this situation does not re-occur.

FS 09-47 Contract doesn't Match Pay Rate

Condition: During our payroll testwork we noted one instance where gross wages did not agree 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.

Effect: Employee was not paid at the correct rate. The school could be liable for the difference.

Cause: Executive director used a template and did not change the actual pay rate for the specific employee. She was aware of the difference and did not change it.

Auditor's Recommendation: The School must ensure that every signed contract amount agrees to what is entered into AptaFund.

Management's Response: The payroll item that is indicated here relates to a contract that was appropriately amended and approved during the year. The School has provided the auditor the information related to this particular payroll item numerous times and proved its accurateness for the payroll transaction in question. We request that this item be removed.

NMAC 6.20.2.18 indicates that "School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations." The School has maintained this information and provided it to the auditor.

Auditor's Response: Documentation was not provided by the school showing that the contract was properly amended and approved and that the amended contract agreed to the amount that was paid on the check.

FS 09-48 Procurement Code

Condition: During the year ended June 30, 2009 we noted that the school did not go out to bid for IT Services. Total amount paid to vendor was \$51,275. We also noted that the school obtained a new curriculum license and paid \$64,211 in the current year to the vendor.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School was unclear as to a specific service and the procurement code's requirements.

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

Management's Response: The School will implement procedures to ensure that all professional services items in excess of \$50,000 are processed in accordance with State procurement requirements. The School will also implement procedures to ensure that all State and Federal procurement policies are being implemented and followed.

FS 09-49 RHC Contributions

Condition: During field work, we noted on RHC that the payment for August 31, 2008 (\$1,558.46) was not submitted until September 11, 2008, payment for December 31, 2008 (\$1,583.48) was not submitted until January 13, 2009, payment for February 28, 2009 (\$1,581.54) was not submitted until March 17, 2009, payment for March 31, 2009 (\$1,620.54) was not submitted until April 14, 2009, payment for April 30, 2009 (\$1,588.25) was not submitted until May 27, 2009, payment for May 31, 2009 (\$2,215.29) was not submitted until June 15, 2009 and payment for June 30, 2009 (\$1,942.35) was not submitted until July 13, 2009.

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

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

Cause: The school did not realize that payments were due by the 10th of the month.

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

Management's Response: The previous business manager was not aware that RHC reports were due by the 10th of each month. As indicated the School has been turning in the reports within the following month and has not been reprimanded or penalized by the

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RHC. The School will make attempts to process reports by the 10th of the following month in the future.

FS 09-50 Compensated Absences

Condition: During our audit we noted two instances where the employees were charged for more leave taken than they actually took.

Criteria: Sound accounting practices include the documentation of all policies and procedures.

Effect: Employees may not be receiving all the benefits owed to them.

Cause: Was due to a glitch in the accounting system that was doubling the amount of leave taken by employees.

Auditor's Recommendation: The school should implement policies and procedures in order to accurately keep track of all compensated absences taken during the year.

Management's Response: The School was unaware of this situation. The School will implement procedures to ensure employees are deducted only the leave they have taken.

FS 09-51 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 and journal entries are not being reviewed and approved.

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.

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

Cause: The school has not yet 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.

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.

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Management's Response: The School has implemented procedures in which all journal entries are reviewed.

Gilbert L. Sena Charter High School (Formerly Creative Education Preparatory Institute #2)

FS 07-62 Internal Controls over Non-Standard Journal Entries

Condition: During our audit, we noted that there is no formal review process over non-standard journal entries. We noted that the business manager prepares journal entries. We noted that the list that the business manager provides to the principal for review does not contain the amounts or descriptions of the several journal entries posted. We also noted 6 out of 12 journal entries tested did not have any supporting documentation.

Criteria: According do the State Board of Education Title 6, section 6.20.2.11, policies and procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principals is required. Sound business practices recommend review and approval of all non-standard journal entries and bank statements.

Effect: Proper authorization and review of journal entries and bank statements is important to limit the possibility of errors or fraud.

Cause: The School lacks policies related to the review of non-standard journal entries and bank statements.

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, approved, and supported.

Management's Response: Management has a process for reviewing Journal entries and has followed them. The Director reviews the JE's on a monthly basis and is free to ask any question she feels is relevant. Management will continue to follow the procedure it has in place and will put into action a more detailed review process.

Auditor's Response: We noted that there was no documentation for journal entries reviewed. While the principal does review a list of journal entries, we recommend that the principal or someone other than the person creating the journal entries review the debits and the credits to ensure that no unusual items are being posted to the general ledger.

FS 09-52 Segregation of Duties-Disbursements

Condition: The Business Manager for the school has access to checks, APTA for recording, and is a signer.

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Criteria: According to NMSA 1978 Section 6-5-2, segregation of duties must be maintained.

Effect: Without proper supervision and review, it may be difficult to detect and correct mistakes and deter potential fraud.

Cause: Although the school does not completely rely on the expertise of the Business Manager to perform accounting related functions he is able to perform all functions and his assistant does not yet have the knowledge or expertise to perform duties without his supervision.

Auditor's Recommendation: The School must ensure that cash disbursements process be reviewed by someone other than the business manager and approved. We recommend that there are two checks signers on every disbursement and that bank reconciliations are reviewed. Internal controls should be in place and routinely followed.

Management's Response: Management relies on the expertise of the Business Manager to perform the related accounting functions for the school. We have limited resources and cannot hire a person to oversee the Business Manager. The board on a monthly basis reviews a detailed report on all disbursements along with the Director and Business Manager. At this time the Board is free to ask any question concerning disbursements. Management will make the change to require two signatures on all checks.

FS 09-53 Inadequate Segregation of Duties in the Receipting Process

Condition: The Business Manager assistant for the school receipts money coming in, fills out a deposit slip, deposits money at the bank, and has access to post entries in APTA.

Criteria: According to NMSA 1978 Section 6-5-2, segregation of duties must be maintained.

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

Cause: The lack of segregation of duties is due to there being so few qualified employees which has left the business manager handling most of the receipting process.

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

Management's Response: Management has a policy and process for receipting of funds. Management had to remove a step in the review process due to an Employee issue. We

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were pro active in the process of preventing any possible issues concerning cash receipting. We have reinstated the full process for cash receipting.

FS 09-54 Lack of Authority Signatory on Payroll Registers

Condition: During our documentation of the payroll process, we noted that payroll registers are not reviewed and that no authorization/review sign offs are performed.

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

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

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

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

Management's Response: Management has a review process as follow: The business manager assistant enters payroll and then the business manager reviews and approves and submits direct deposit.

Auditor's Response: Since there was no evidence that payroll registers are being reviewed and approved, we could not verify that the above process is being followed by management.

FS 09-55 Checks Issued

Condition: During review of cancelled checks, we noted that checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School could be liable to pay a check that would be potentially cancelled.

Cause: School does not order checks with required words on face.

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Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: All checks issued now have void after one year printed on them.

FS 09-56 Internal Control Structure

Condition: During our fieldwork we noted the following:

- Meals were posted to the general supplies account instead of the meals account.
- School could not locate grant award for Beginning Teacher Mentoring grant.
- We noted a receipt for \$2668 was posted to the incorrect fund.

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

Effect: The financial statements could be misleading.

Cause: The business manager uses this as one of their general expense accounts.

Auditor's Recommendation: We recommend accounts be reviewed before they are posted to the General Ledger.

Management's Response: The Business Manager reviews all transaction on a quarterly basis when doing quarterly reports for PED. The Business Manager will start to review all transaction on a monthly basis and make adjustments when necessary.

FS 09-57 RHC Contributions

Condition: During field work, we noted on RHC that the reports for September 30, 2008 (\$1,445.16) and October 31, 2008 (\$2,149.55) were not filed until November 12, 2008. We also noted that the report November 30, 2008 (\$1,430.81) was not filed until January 9, 2009.

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

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

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Cause: The business manager failed to submit the reports on time due to the audit being conducted during these time periods.

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

Management's Response: Management will set in process a policy to pay RHCA by the 10th of the month. RHCA has told the school that reports and contributions are due the 15th of the month

FS 09-58 941 Reports

Condition: We could not verify when the 941 reports were submitted. We also noted that school paid a penalty of \$1,311.43 and interest of \$31.82 for late payments made.

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

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

Cause: The school does not keep signed copies of 941 reports submitted.

Auditor's Recommendation: The school should keep copies of all submitted reports.

Management's Response: The school files 941's on time and understands the need for a signed copy to be filed. The school, with its policy to cut back on paper usage, keeps an electronic file of all 941's that are sent to the IRS. The school will now scan the signed 941's and keep it in a file for review when audited. The late fee was from FY 05-06.

FS 09-59 Disposition of Fixed Assets

Condition: During our audit, we noted that the school failed to obtain approval by from the state to approve the disposal of fixed assets.

Criteria: Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code govern the disposition of fixed assets.

Effect: The school is not in compliance with Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code related to the disposal of fixed assets. Further, there was no certification that the hard drives of any of the donated computers were cleaned before disposal.

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Cause: Since assets were disposed of years ago, the school did not believe it was necessary to complete disposal forms.

Auditor's Recommendation: We recommend that policies and procedures be established to ensure that all disposals are properly approved by the state.

Management's Response: Management disagrees with this finding. The write off of fixed assets was done in a prior year and was approved by the State Auditor in 05-06. The fixed assets were written off when the threshold for capitalizing fixed assets was set to \$5,000.00. The assets written off were all under \$5,000.00 and approved by the previous auditors. We reinstated the assets when we found out from the State Auditor that we had to continue to carry the assets until fully depreciated.

Auditor's Response: Moss Adams noted that the assets were on the financial statements as of June 30, 2008. There was no evidence documenting that the disposals were properly approved by the state auditor.

FS 09-60 Bank Reconciliations

Condition: We noted there is no evidence that bank reconciliations are being reviewed.

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

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

Cause: Principal does not sign off on bank reconciliations when she reviews.

Auditor's Recommendation: We recommend that bank reconciliations be reviewed by someone other than the person preparing them. We also recommend that the person review sign-off that she has reviewed.

Management's Response: The director reviews the bank statements with the business manager on a monthly basis along with the budget. Management feels that we have meet the criteria for review of bank statements. We will from this point on have them signed by the director.

Digital Arts & Technology Academy

FS 09-61 Cash Receipts

Condition: During cash receipt walkthrough we noted that two of the three cash receipts were inappropriately posted to salary expense accounts.

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Criteria: Per NMAC 6.20.2.14 Cash Control Standards, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting.

Effect: Improper procedures in the receipting cycle could cause a misstatement in cash.

Cause: Revenues that were reimbursements of expenses were inappropriately posted to the expense accounts.

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

Management's Response: The posting was done in error for summer programs. Procedures will be implemented to ensure postings will be treated as revenues rather than abatements.

FS 09-62 Difference with General Ledger and RHC, ERB and 941 Contributions

Condition: RHC reports did not reconcile to the general ledger for the year ended June 30, 2009. RHC reports had a difference of \$3,301. 941 reports did not reconcile to the general ledger for the year ended June 30, 2009. 941 reports had an irreconcilable difference of \$2,300. ERB reports did not reconcile to the general ledger for the year ended June 30, 2009. ERB reports had an irreconcilable difference of \$27,677.

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

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

Cause: The school does not have policies and procedures in place that require periodic reconciliations of RHC, ERB and 941 payments to the general ledger.

Auditor's Recommendation: The School must reconcile the general ledger to the RHC, ERB and 941 contributions to ensure the correct contributions are being submitted.

Management's Response: The school has now reconciled the general ledger to the RHC, ERB and 941 reports. This procedure will be implemented as an ongoing practice.

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FS 09-63 RHC Contributions/Reports

Condition: During field work, we noted on RHC that the payments for July 31, 2008 (\$268.88) was not remitted until August 15, 2008, August 31, 2008, (\$2,570.10) was not remitted until September 15, 2008, September 30, 2008 (2095.55) was not remitted until October 20, 2008, and October 31, 2008 (\$2104.02) was not remitted until November 12, 2008.

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

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

Cause: The school did not ensure that the RHC payments were made timely.

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

Management's Response: This finding was initially issued during the exit conference for the 2008 audit. The school was incorrect on the mandated filing date. However, after the exit conference, all submissions have been in compliance with the requirement.

FS 09-64 PED Cash Reports/Budget Reports

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

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

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

Cause: The report sent to PED was not reviewed to ensure that it reflects what is in the general ledger.

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

Management's Response: The school has implemented a process to prepare and submit quarterly reports. The error made in the report noted was based on beginning balances. The school did not have the beginning balances as the audit was not finalized until May 2009. No final report was provided to the school by the auditor or the district.

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FS 09-65 Journal Entries

Condition: We noted during test work that one of five journal entries tested was not properly recorded.

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

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

Cause: The school did not properly record journal entries, resulting in journal entry being booked as an expense when it should have been recorded in operational fund balance.

Auditor's Recommendation: We recommend that the school develop procedures to ensure that all journal entries are reviewed and properly approved.

Management's Response: Procedures will be established for review of journal entries.

FS 09-66 Untimely Federal Reimbursement

Condition: We noted that the school has \$88,853 of unspent fund sitting in cash from FY 2006 that they have not paid back to the state.

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

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

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

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

Management's Response: The school has attempted to resolve this matter with the NM PED. The school will contact the NMPED again to resolve the issue. The grant was closed in 2006 and the state will have to work with the federal government in correcting reports filed since that date which show the funds as expended. This issue came about when the school was restructured as a result of the merger of two former charter schools.

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East Mountain High School

FS 09-67 Budget Adjustment Requests (BAR)

Condition: During our revenue/budget analysis, we noted that the school did not perform a BAR for the SEG increase.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR's are included in final budget amounts reported to Schools PED report. According to the NMSA 1978 Section 6.20.2.10A, "Budget adjustment requests shall be submitted on the most current form prescribed by the SDE."

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

Cause: The school did not believe that they had to budget the SEG amount since they did not plan to spend the money.

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

Management's Response: The school was given incorrect information by its PED Budget Analyst that they did not have to BAR in money if they did not plan to spend it and did not exceed budgetary authority, which it did not. PED still has an accurate accounting of school activity because the unspent cash is reflected on the Cash Report. In the future the school will BAR in all SEG adjustments.

East Mountain High School Foundation

No findings noted in current year

El Camino Real Academy

FS 09-68 – Procurement Code

Condition: When testing procurement, the School did not appear to follow the procurement code process when acquiring services for the School. The School procured services in excess of \$20,000 without going out for bid.

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

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Effect: Services did not go out to bid, causing them to be in non-compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: The School did not properly procure services by going out to bid as required by State Statutes.

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

Management's Response: NMSA 13-1-76, the Procurement Code's definition of "Professional Services", allows considerable discretion on the part of the school's Central Purchasing Office in designating which vendors fall within the professional services definition. Although security providers are not specifically listed in that statutory section, the section does allow the Central Purchasing Office to make a determination that such providers fall within the "other persons or businesses providing similar professional services" clause. Because security firms must be licensed with the state and their employees also are licensed, as are the majority of the service categories specifically listed under the 'professional services' definition, the Central Purchasing Office made the determination that such services reasonably fell within this definition. The Central Purchasing Office interviewed many firms to determine if they were properly trained, had experience working with schools and children in a school environment and would provide appropriate security without intimidation of students or staff. Any staff they send must be interviewed by our Asst Principal and are not accepted until approved by the Asst Principal. The firm chosen fit the requirements that the CPO determined were required for security to be a professional service.

Auditor's Response: Professional services are those set forth in Section 13-1-76 NMSA 1978. The school procured an item without going to bid or obtaining quotes from a vendor. The school should follow the state purchasing requirements or use a vendor already approved by the state or APS.

Corrales International

FS 09-69-Cash Receipts

Condition: During our audit test work, we noted there was no pre-numbered receipts attached on 1 out of 3 transactions and could not verify whether the funds were deposited within 24 hours in the amount of \$430.46.

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

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

Cause: Since school does not issue pre-numbered receipts we could not determine when cash was received.

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

Management's Response: The school will implement procedures to ensure cash receipts are deposited within 24 hours of receipt.

FS 09-70 Purchase Orders

Condition: During our disbursement test work, we noted purchase orders in the amount of \$982.94, \$1,200, \$1,529.40 and \$1,479.26 were issued after the invoice date.

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

Effect: The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC 6.20.2.17.

Cause: Business manager failed to create purchase orders before services were received or items were purchased.

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

Management's Response: Procedures exist for the purchase of goods and services. These procedures will be emphasized.

FS 09-71 Lack of Authority Signatory on Payroll Registers

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

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

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

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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: The payroll is processed by a staff member who does not have signature authority on the school's checking account. The business manager is given the payroll checks for signature and deposit stubs of all staff. In addition, another staff member reconciles the schools bank account and another processes the payroll liability reports. All of these assignments act as internal controls over payroll and mitigate the risk noted.

FS 09-72 Checks Issued

Condition: During review of cancelled checks, we noted that the checks do not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: The school could be liable for checks potentially cancelled.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The financial software company has changed the format of the checks and the language is now being printed. However, federal FDIC regulations make the checks unusable after 6 months. The NM statutes have not been updated since the banking laws have changed and actually extend the liability of the school beyond the federal law.

FS 09-73 Vendor Prepayment

Condition: During our review of cash disbursements we noted that a contractor was paid for the full month of October 2008 on October 22, 2008.

Criteria: 13-1-158 A NMSA 1978 states "No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items

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of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications...”

Effect: As a result the school is out of compliance with state procurement policies. This also increases the risk of fraud that fraudulent payments are being made.

Cause: The school was not aware of this requirement.

Auditor's Recommendation: School should request a refund from the vendor for services not rendered or received. The school should update their policies and procedures to make sure that all services have been properly received before payment has been made.

Management's Response: The school and staff will be reminded that prepayment is not allowed. Policies and procedures will be reviewed to insure that this does not occur again.

FS 09-74 Board Members

Condition: During review of minutes we noted that the board only had four members for seven board meeting during the year.

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

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

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

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

Management's Response: The Governing Council of the School had several resignations during the year. The first priority of the council was to maintain stability. After this was done, additional members were added. The council must be thoughtful in its recruitment of new members.

FS 09-75 Internal Control Structure

Condition: During our fieldwork we noted the following:

- We noted that the principal submitted purchase requests for the year. Per charter, purchase requests are to be submitted by a teacher or board member.
- We noted that that travel over \$1,000 is not being approved by the board-as required by Charter.

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- We noted a contract amount to a vendor exceeded the amount allowed per the contract by \$2,400. We also noted that the date of service exceeded the dates of the contract.
- We noted a contract to a vendor exceeded the contract amount by \$16,843.

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

Effect: The financial statements could be misleading.

Cause: The school is not following their policies and procedures.

Auditor's Recommendation: We recommend that all invoices be verified against contracts or leases before they are paid to the vendor.

Management's Response: Procedures have been implemented to ensure a strong internal control structure. Teachers submit requisitions, but not all requisitions, to the Principal. However, the principal is allowed to order goods and services on behalf of the school.

FS 09-76 Administrator Contracts

Condition: During our fieldwork we noted that the board approved a salary amount for the temporary head administrator and school director for \$24,000. We noted that the actual amount of the contract was \$28,000. We noted the contract was signed by the President of the board.

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

Effect: The school is paying for more than approved by the board.

Cause: The school did not follow their policies and procedures and did not get appropriate approval for a contract increase.

Auditor's Recommendation: We recommend that school update policies to ensure that all increases for the administrator contract be properly approved by the board.

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Management's Response: The school entered into multiple contracts with the head administrator and director. All contracts were discussed in public open meetings. All amounts paid were reported to the governing council.

FS 09-77 Personnel Files

Condition: During our test work of payroll we noted 2 out of 3 employees tested did not have a contract on file. We also noted that personnel action forms did not agree to total amount paid.

Criteria: State Regulation 6.20.2.18, NMAC states that the School must maintain and have available for inspection all payroll related documentation, including but not limited to employee contracts, I-9's, W-4s, timecards.

Effect: The lack of supporting documentation may result in the School incurring additional liabilities. This is a material weakness as there could be employees getting paid at incorrect rates.

Cause: There was a change in principals during the year and contracts got misplaced.

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding personnel files to insure that files have proper documentation.

Management's Response: All teachers had contracts issued and signed. The office manager has been assigned the responsibility of maintaining the employee contract files.

FS 09-78 Contracts

Condition: During our test work we noted that an employee did not have a contract. We also could not agree the gross amount to the personnel action forms submitted to the business manager.

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

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

Cause: The school misplaced the contracts.

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

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Management's Response: The school will maintain contracts to document correct amounts.

FS 09-79 Procurement Code

Condition: During the year ended June 30, 2009 we noted that 1 item did not go out for bid and the amount paid to the vendor exceeded the amount of the contract. Total amount paid to vendor was \$71,010. Contract was for \$50,000.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School does not properly monitor the contracts and or does not make amendments to the contracts if they are required or needed.

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

Management's Response: The school will implement policies and procedures that will ensure compliance with the NM State Procurement Code.

FS 09-80 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.

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

Cause: The school changed business managers at the end of the fiscal year. Reports could not be submitted until bank reconciliations were completed.

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

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Management's Response: The official beginning numbers were never provided to the school by the auditor or the district as the audit was not official until May or June of 2009.

FS 09-81 ERB Contributions

Condition: During our test work we noted the ERB report for July 31, 2008 was not submitted until December 12, 2008, the ERB payment for August 31, 2008 (3,218.71) was not paid until December 30, 2008, the ERB payments for September 30, 2008 (\$3,397.21), October 31, 2008 (\$3,406.01), and November 30, 2008 (\$3,721.33) were not paid until January 7, 2009, the ERB payment for June 30, 2009 (\$2,805.65) was not paid until July 21, 2009. We also noted that the amount on the reports did not tie to the G/L.

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

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

Cause: The school failed to make the ERB contributions timely and failed to reconcile the G/L to reports and payments.

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

Management's Response: The payments were made at the times noted because of the problems the school and the ERB and RHC had in setting up the payment process. Once established the reports were submitted as worked with the agencies.

FS 09-82 Budgetary Conditions

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

General Fund

Support Services \$45,394

Federal Stimulus

Instruction \$122,482

Capital Outlay \$ 7,000

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

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

Cause: The School did not make the appropriate budgetary adjustment requests and transfers to alleviate possible over-expenditure within functions prior to the year-end. Additionally, the school failed to submit their budget to PED timely.

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

Management's Response: The Budget Adjustment Requests were approved by the governing council. However, a business manager transition in June resulted in the BARs not being finalized in OBMS. However, the budget did have sources to cover all issues.

FS 09-83 BAR

Condition: During our test of the BARs we noted that approval of BARs was not being completed by the Board during meetings.

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

Effect: PED does not have the correct reporting.

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

Auditor's Recommendation: We recommend that BARs are approved by the Board during meetings.

Management's Response: All BARs are approved by the governing council in open session in compliance with the Open Meetings Act and charter.

FS 09-84 Bank Reconciliations

Condition: During our test of the cash balance we noted that the bank reconciliation was not performed timely and there was no evidence that bank reconciliations are being reviewed. We also noted a difference on the bank reconciliation of \$1,913.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

Effect: The School has a potential for fraudulent activity within its cash accounts.

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Cause: Due to the turnover of staff, the school has been catching up on bank reconciliations.

Auditor's Recommendation: We recommend the School require that bank reconciliations be performed timely and reviewed for accuracy.

Management's Response: Bank reconciliations are completed monthly. The reconciliation is reviewed by the business manager and used in preparing PED reports.

FS 09-85 Journal Entries

Condition: During our testwork over the client's journal entries, we noted that documentation could not be provided and there was no evidence that Journal entries are being reviewed.

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

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

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

Auditor's Recommendation: Journal entries should be reviewed and approved before posting to the general ledger to ensure entries are accurate, complete, and have a clear business purpose.

Management's Response: Journal entries were used to correct cost account. The procedures try to minimize the use of journal entries. All journal entries were reviewed by the business manager. A binder of journal entries is maintained to document the approval process.

Auditor's Response: The Business Manager was unable to provide supporting documentation or approval for journal entries tested. Per Business Manager this was because they moved offices in July 2009.

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La Academia de Esperanza

FS 07-90 Internal Control Structure

Condition: During our test work we noted the following:

- We noted parking was posted to the General Supplies and Materials account
- We noted training expense posted to other services
- We noted expense for rental of tent was posted to the General Supplies and Materials account
- School could not locate documentation for \$2000 received in prior year.
- School could not locate documentation for \$7,818 cash receipt.
- We noted school is posting revenues received into the operational fund. All receipts for other funds had to be adjusted during the audit.
- Functions are not kept for fixed assets causing depreciation to be unallocated between functions.
- We noted an irreconcilable difference from the GL for rent expense.

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

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

Cause: Coding is not being checked when the Purchase Order is entered by the Business Manager.

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

Management's Response: The account coding on purchase orders will be monitored more closely by the Business Manager, with oversight by the Principal.

FS 07-92 Bank Reconciliations

Condition: During our audit we noted that bank reconciliations for the year did not balance. All bank reconciliations for the year were redone after year end. We also noted the corrected bank reconciliations had not been reviewed.

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

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

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

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

Management's Response: Bank reconciliations will be done monthly, with oversight and review by the Principal. There was a difference from prior year that carried over into this year, due to prior years balances not closed out and rolled forward. As of June 30, 2009 the Bank Reconciliation balanced to the General Ledger and Cash in Bank.

FS 07-93 PED Cash Reports/Budget Reports

Condition: The School's cash report to the Public Education Department did not agree to the General Ledger. We also noted that the actual amounts on the schools budget reports did not agree to the General Ledger.

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

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

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

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

Management's Response: The PED quarterly reports will be prepared timely and accurately with oversight review by the Principal. This problem was due mainly to a prior year variance, and prior year balances not rolled forward. Since the June 30th bank reconciliation was in balance to the general ledger, we feel this is resolved.

FS 07-95 Payroll – Lack of Documentation

Condition: During payroll test work we noted that an employee did not have a contract or an addendum to his contract for summer security at the school.

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

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

Cause: The School does not have adequate internal controls related to personnel files. The insurance forms are sent directly to the employee and the School does not retain a copy.

Auditor's Recommendation: We recommend that the school follow NMAC 6.20.2.18 to ensure that all required payroll related documentation is completed and properly filed. A new form W-4 should be filled out for all employees and be placed in one central location or in each employee's file.

Management's Response: This employee was on a part-time basis paid with a timecard for minimal sporadic employment. This check was for \$90.00, and we discussed this with our auditor. The NMAC referenced above states that documents are made available, and this employee's check and timecard were made available. The regulations do not state this type of employment requires a contract or addenda. We already have contracts and addenda's for employees that are not part time, and services are regularly ongoing.

Auditor's Response: We noted that this was not an exception of the State Personnel Act. The school should follow procedures set forth for all employees.

FS 07-97 Budgetary Conditions

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

Instructional Materials	
Direct Instruction	4,148
Food Services	
Food	40,612
EMSI	
Direct Instruction	8,000
Private Dir Grant	
Direct Instruction	10,000
Public School Capital Outlay	
Support Services	137,463

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

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

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

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

Management's Response: Budget adjustments will be presented to our governance council monthly as needed for approval. Some of these funds were prior years, and others were run through operating budget instead of setting up a budget of their own. The principal will work with the business manager to ensure resolution to this.

FS 07-98 Fixed Asset Inventory Count

Condition: For the 2007/2008 year, the School did not perform an annual inventory of fixed assets. The school also relied on prior year auditor work papers to generate their fixed asset listing as the school does not keep track of their fixed assets.

Criteria: Per NMAC 2.20.1.16 Annual Inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of one thousand dollars (\$5,000) or more, under the control of the governing authority.

Effect: The School is noncompliant with NMAC 2.20.1.16 and does not have internal controls implemented for safeguarding them and establishing accountability for their custody and use.

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

Auditor's Recommendations: The School should implement a policy for an Annual Inventory of fixed assets to take place and keep an updated fixed asset listing.

Management's Response: At the end of this fiscal year or before we will work with staff to have an up to date, accurate listing of all assets, asset categories, and any obsolete, worn out, or non-existent assets will be presented to our governance council for approval to dispose of. We will make sure we comply with the State Auditors Rule on fixed assets.

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

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into its accounting system. Nor is there any documentation associated with the copies were provided.

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

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

Cause: The School has limited knowledgeable staff that is able to review journal entries.

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

Management's Response: We will make sure that the principal will be reviewing all journal entries and back up for posting into the accounting system.

FS 08-86 Payroll Transactions

Condition: During our payroll testwork we noted that an employee was only paid \$5,523.75 of his \$7,000 contract addendum.

Criteria: NMAC 6.20.2.18 states that schools must have internal controls in place so that employees are paid the correct amounts.

Effect: Not maintaining proper documentation in employee personnel files could result in negative outcome if La Academia de Esperanza became involved in a labor dispute.

Cause: Contract amounts and insurance deductions appear to be entered incorrectly in AptaFund.

Auditor's Recommendation: The School must ensure that every signed contract amount agrees to what is entered into AptaFund.

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Management's Response: This employee had contract addenda for work performed after hours, but did not start the services until late in the year. There was several pay periods that elapsed before services started from this grant. The difference that was not paid would have constituted Retroactive Pay that we could not pay. The other factor is that services had not started until later.

Auditor's Response: During the exit conference, it was noted that the contract was not clear and we could not verify that the employee was only supposed to be paid \$5,523.75 of the \$7,000 paid.

FS 08-87 RHC, 941 & ERB Contributions

Condition: During our test work we noted the RHC report for August 31, 2008 (\$4,288.15) and September 30, 2008 (\$4,608.06) was not submitted until October 22, 2008. The RHC report for the period ending March 31, 2009 (\$2,631.64) was not submitted until April 23, 2009.

We noted on the 941 reports that the reports for March 31, 2009 (\$62,032) was not filed until May 4, 2009 and for June 30, 2009 (\$72,757) was not filed until August 21, 2009.

We noted that the ERB report for July 31, 2008 (\$2,884.99) was not filed until August 22, 2008.

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

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

Effect: The school was in violation of RHC, ERB requirements and IRS standards.

Cause: The current business manager did not start until August 2008.

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

Management's Response: Upon hiring the new business manager these reports were already late and he worked on them to catch them up, and make sure they reconciled to the deductions and general ledger. These are all up to date as of now.

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FS 09-86 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The school was not aware of this requirement, since this has been this way in past years. The Business Manager worked with our software company and we now have "VOID AFTER ONE YEAR" printing on all checks.

FS 09-87 Inadequate Segregation of Duties in the Receipting Process

Condition: During our review of the cash receipts process, we noted that the same person preparing the deposit slip also takes the deposit to the bank. We also noted there is a timing difference from when the deposits are made to when they are actually posted as the business manager uses the monthly bank statements to post cash receipts instead of the deposit slips taken to the bank.

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

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

Cause: The lack of segregation of duties is due to there being so few qualified employees which has left the business manager handling most of the receipting process.

Auditor's Recommendation: Certain responsibilities during the receipting process should be delegated to other employees or hire an individual to perform the required tasks.

Management's Response: We will work with the principal to involve other staff in breaking up the receipting and depositing duties.

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FS 09-88 Pre-Numbered Receipts

Condition: During our testwork we noted three out of three cash receipts (\$1,210.10, \$140, \$3,257.50) tested did not have pre-numbered receipts attached. We could not verify whether amounts were properly deposited within 24 hours.

Criteria: NMSA 6.20.2.14 requires that the school issue a pre-numbered receipt for all money received and that the school make all deposits 24 hours of receiving the money

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

Cause: The school was unaware they had to issue pre-numbered receipts.

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

Management's Response: The receipt books that have been used in past were not pre-numbered. We are currently using pre-numbered receipt books for all receipts.

FS 09-89 Cash Disbursements

Condition: During our testwork we noted the following:

- one out of three transactions in the amounts of \$599.00 where the Purchase Order was created after the invoice date and after the date of service.

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

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

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

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

Management's Response: This expense was a workshop that a teacher attended in the summer months. Verbal approval was given since staff was out for the summer. We have in-serviced staff that all purchased MUST have prior approval by the Principal in writing before Purchase Orders can be issued.

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FS 09-90 Chart of Accounts

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

11000-1000-54600 Rental
23000-0000-41710 Fees
27150-0000-55818 Travel

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

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

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

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

Management Response: The accounts in our accounting system were created some years ago; management will review all of these accounts and inactivate any invalid accounts for future use.

FS 09-91 Cash Receipts-Inadequate Documentation

Condition: There were 2 out of 3 instances in the amounts of \$1210.10 and \$140.00 where supporting documentation could not be located for cash receipts deposited.

Criteria: Per NMAC 6.20.2.14 Cash Control Standards, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting.

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

Cause: Due to change in buildings from the old location to the current location, school appears to have misplaced these files.

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

Management's Response: Staff will make sure that all backup for deposits will be copied, and kept for audit and review purposes. The principal can review these regularly.

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FS 09-92 Lack of Signatory Authority on Payroll Registers

Condition: During our review of payroll, we noted out of all the payroll registers that we reviewed, none of them had any type of authorization/review sign offs. We noted that there were no controls in place to keep employees from being paid the wrong amounts.

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

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

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

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

Management's Response: Currently we have staff that runs the payroll, other staff copy the paychecks and other staff send out the payroll. We have added one more step in having the Principal sign the payroll registers.

FS 09-93 Untimely Reimbursement Requests

Condition: During our audit, we noted federal reimbursement requests were not being completed in a timely manner.

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

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

Cause: School failed to timely request reimbursements for grants.

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

Management's Response: The principal will review all reimbursement requests monthly and quarterly with the business manager to ensure a more timely reimbursement.

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FS 09-94 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to perform a BAR for the Public School Capital Outlay Award
- The school failed to perform a BAR for the EMSI grant award
- The school failed to perform a BAR for food services reimbursement requests made.

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

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

Cause: The business manager was unaware that he needed to perform a BAR for these funds.

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

Management's Response: Budget adjustments will be presented to our governance council monthly as needed for approval. Some of these funds were prior years, and others were run through operating budget instead of setting up a budget of their own. The principal will work with the business manager to ensure resolution to this.

FS 09-95 Disposition of Fixed Assets

Condition: During our audit, we noted that the school failed to obtain notification to the state of disposal of fixed assets.

Criteria: Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code govern the disposition of fixed assets.

Effect: The school is not in compliance with Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code related to the disposal of fixed assets. Further, there was no certification that the hard drives of any of the donated computers were cleaned before disposal.

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Cause: Since assets were disposed of years ago, the school did not believe it was necessary to complete disposal forms.

Auditor's Recommendation: We recommend that policies and procedures be established to ensure that all disposals are notified to the state.

Management's Response: We will work with our staff and governance council to ensure compliance with the State Auditors Rule on disposition of fixed assets. This would be accomplished with governance council approval, and notification to the State Auditor and PED.

FS 09-96 Unemployment Payments

Condition: During our test work, we noted that the school received a refund of \$15,739 for Unemployment payments.

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

Effect: The school is not properly completed reports and could be owed more than received.

Cause: The school made an error on the unemployment reports submitted.

Auditor's Recommendation: We recommend that school management implement an internal control system to insure that all tax payments are processed correctly and paid timely.

Management's Response: This refund was a result of the discovery of the wrong unemployment rate in our accounting system from prior years. The department of workforce solutions came out and performed an audit and the result was the refund stated above. We currently have the correct unemployment rate in our accounting system.

FS 09-97 Cash Carryover

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

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

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Section 22-8-25 NMSA 1978, to the charter school by an amount equal to the school district's or charter school's excess cash balance.

Effect: The school could receive less SEG funds in FY 2010.

Cause: The school did not spend all of the funds received in the current year.

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

Management's Response: This was due to a decrease in expenditures from prior year and current year, along with an increase in our revenues. We were also preparing to have the available funds to purchase land and buildings in order to meet the state mandate of all charter schools being in publicly owned buildings and land. We will have the principal review monthly bank reconciliation's and reports to eliminate this in the future.

La Luz Del Monte Learning Center

No findings noted in current year

La Promesa Early Learning Center

FS 06-98 Contract Does not Agree to Amount Paid

Condition: During our payroll testwork we noted one instance where gross wages did not agree to the stated contract amount.

Criteria: NMAC 6.20.2.18 states that School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: Employee was not paid at the correct rate. The school could be liable for the difference.

Cause: Executive director used a template and did not change the actual pay rate for the specific employee. She was aware of the difference and did not change it.

Auditor's Recommendation: The School must ensure that every signed contract amount agrees to what is entered into AptaFund.

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Management's Response: The Bookkeeper and Contract Business Manager caught the error on the contract when entering the employee into APTA. The employee was paid the correct rate and notified that the contract amount was incorrect but the actual contract was not revised.

FS 09-98 Checks Issued

Condition: During review of cancelled checks, we noted that checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School could be liable to pay a check that would be potentially cancelled.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the foundation order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: Management has changed the check printing template on APTA to reflect "VOID ONE YEAR FROM DATE OF ISSUE" on all checks printed effective immediately.

FS 09-99 Inadequate Segregation of Duties in the Receipts Process

Condition: During our documentation of the cash receipt process we were informed that one person was receiving, receipting, preparing the deposit slip, and depositing the money at the bank for La Promesa Charter School.

Criteria: According to NMSA 1978 Section 6-5-2, Segregation of duties must be obtained.

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

Cause: The business manager did not realize one person was performing all the functions of the cash receipting process.

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

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Management's Response: According to Business Manger in July of 2009 they changed the process because they realized there was a lack of segregation of duties issue. The Secretary now issues the pre-numbered receipts and signs that she received it and then logs receipts in a receipt log. Julie prepares the deposit slip and makes copies for backup. Dan Archuleta, Receptionist, deposits the money. The Receptionist returns deposit slip to Business Manager who then posts the receipts into APTA.

FS 09-100 Cash Receipts

Condition: During our cash receipt walkthrough we noted the following:

- that one of the samples selected was for a raffle which did not have pre-numbered receipt written however the backup documentation which was a 8x11 paper with hand written amounts was initialed by teacher and Assistant Business Manager and dated 10/16/2008 and this money was not deposited until 10/20/2008. According to state auditor rule money must be deposited within 24 hours of receipt.
- we noted that transactions lack proper documentation. All transactions require a pre-numbered receipt to be made out with every receipt that comes into the school. One out of three transactions in the walkthrough did not have a receipt. Backup documentation which was a 8x11 paper with hand written amounts existed receipt amount did not agree to the amount deposited and recorded.

Criteria: It is good cash disbursement management and accounting practice as well a requirement to follow policy and procedures set forth by the state auditor. NMAC 6.20.2.14 states that monies received and receipted shall be deposited in the bank within 24 hours. All transactions require a pre-numbered receipt when money is being received.

Effect: Not depositing funds within 24 hours increases the chances those funds could be misappropriated. Receipts can be improperly posted, stolen, misplaced and there would be no documentation that the payment was ever received by the school.

Cause: Money is not consistently deposited within 24 hours of receiving the funds. Office manager or secretary does not consistently write pre-numbered receipts for all money received by the school.

Auditor's Recommendation: We recommend that La Promesa Charter School follow requirements set forth by the state auditor's office and deposit money received daily. We also recommend that the receipt or a copy of the receipt be attached to the backup documentation.

Management's Response: Management has changed process and now all receipts are deposited within 24 hours of receipt.

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FS 09-101 RHC Contributions

Condition: During our test work we noted the RHC payment for February 28, 2009 (\$837.16) was not submitted until March 15, 2009, payment for December 31, 2008 (\$776.94) was not submitted until January 15, 2009, payment for November 30, 2008 (\$788.01) was not submitted until December 12, 2008, and August 31, 2008 (\$468.58) was not submitted until September 15, 2008.

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

Effect: The school was in violation of RHC requirements and could owe penalties.

Cause: The school was unaware these were due by the 10th of the month.

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

Management's Response: The bookkeeper processing RHC payments was under the assumption that RHC payments were due at the same time as ERB payments (the 15th of the month) and processed payments accordingly. Payments will now be made by the 10th of the month.

FS 09-102 Budget Adjustment Requests (BAR)

Condition: During our audit we noted:

- school over budgeted the operational fund for the current year. We noted difference of \$58,450 between budgeted carryover (\$165,601) and carryover per the prior year financial statements (\$107,151).
- School did not perform BAR for additional capital outlay from prior year appropriation.

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

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

Cause: The school was unaware that their carryover had to agree to financial statements.

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

Management's Response: PED did not require that a BAR be prepared for actual cash balance. The difference between actual cash and budgeted cash was taken into consideration internally and budget was not over expended. PED did not require BAR's to be done for Capital Outlay that was paid directly to vendors for prior year appropriations. When payments are made directly to vendors by the State these are tracked internally by Capital Outlay and not recorded on State Reports.

Auditor's Response: BARs should be completed for all monies awarded. BARs should also be completed to adjust cash carryover balances to ensure that the school does not spend money they do not have.

09-103 Internal Control Structure

Condition: During our test work we noted the following:

- We noted rent expense for the copier is being posted to other charges. We also noted that other charges such as copier fees are being posted to rent expense.
- We noted that revenue received for food services was being posted to the general fund.

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

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

Cause: The school did not realize what these funds were related to.

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

Management's Response: Management takes great care to ensure transactions are posted to the correct cost account. The above incident was an isolated condition and the school will monitor future transactions to ensure correct coding. The school was not required by PED to record food service revenue in the 21000 fund and was instructed that it could be recorded in the Operational Fund under function 3100. For the current year, the school

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has done a BAR to establish the 21000 Fund and will post all food service transactions to this fund.

FS 09-104 Procurement Code

Condition: During the year ended June 30, 2009 we noted that 2 items did not go out for bid. Total amount paid to vendors was \$57,027 and \$71,443.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School did not expect total amount to exceed \$50,000 for the first one. They believe the \$71,443 is a sole source as this is for the executive director, however, they did not get it approved as required by the procurement code.

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

Management's Response: Management will review all purchases to ensure that items over \$50,000.00 are bid out according to procurement code. The Executive Director position has been changed from a contracted position to an employee position so this issue will not be repeated.

09-105 Bank Reconciliations

Condition: We noted there is no evidence that bank reconciliations are being reviewed.

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

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

Cause: Principal does not sign off on bank reconciliations when she reviews.

Auditor's Recommendation: We recommend that bank reconciliations be reviewed by someone other than the person preparing them. We also recommend that the person review sign-off that she has reviewed.

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Management's Response: Management has changed the process so that bank reconciliations and bank statements are presented to the Governance Council with the monthly Financial Report. These will be reviewed and accepted by the Council and recorded in the minutes of the meeting.

FS 09-106 Budgetary Conditions

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

Food Services	
Food	33,579

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

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

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

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

Management's Response: The budgets were exceeded on the financial statements due to audit adjustments but not on cash reporting made to PED. The food services items were recorded under the 11000 Fund and budgeted accordingly. PED had instructed the school that these items could be recorded under this fund.

Auditor's Response: The school should follow the PED chart of accounts. Fund 21000 has been designated on the PED chart of accounts for food services and since this is federal money, the school should be aware that all federal money spent has to be properly tracked.

FS 09-107 — Prior Period Restatements

Condition: The School notified the auditors of prior period restatements to beginning net assets. A prior period adjustment, in the amount of \$168,000 was required to properly represent the fixed assets. The adjustment decreased fixed assets, and decrease net assets by \$163,800. This was due to additions to the building that were incorrectly recorded in

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the prior year. The prior year depreciation expense was overstated by \$4,200 resulting in an understatement of income of \$4,200.

Criteria: According to the District's capital asset reconciliation policies and procedures as well as minimum capitalization limits in accordance with NMAC Audit Rule 2.2.2, maintenance and supplies expenditures should not be capitalized.

Cause: The School's financial reporting did not insure that internal control deficiencies over financial reporting as defined by Government Auditing Standards chapter 5.13 and did not follow existing procedures with respect to capital asset account balance reconciliations.

Effect: The School allowed prior year net assets to be overstated.

Auditor's Recommendation: The School should insure compliance with relevant accounting principles to prevent deficiencies in internal controls over reporting of 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 has reconciled the capital assets and all balances are correct and will roll forward from this point on. Last years capital asset balances were entered incorrectly by the auditors.

La Resolana Leadership Academy

FS 07-109-Timely Deposits

Condition: During our audit test work, we noted there was no pre-numbered receipts attached on 3 out of 3 transactions and could not verify whether the funds were deposited within 24 hours in the amounts of \$85.50, \$18,249.82 and \$74.40.

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

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

Cause: Since school does not issue pre-numbered receipts we could not determine when cash was received.

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

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Management's Response: The school will train and emphasize the procedures for deposit of funds. The school received the \$18,249.82 from an insurance claim and processed the deposit as soon as received.

FS 07-110 Personnel Files

Condition: During our test work of payroll we noted the following:

- 1 out of 3 employees tested did not have a contract on file.
- 1 out of 3 employees tested had a personnel action form dated after employee was paid.

Criteria: State Regulation 6.20.2.18, NMAC states that the School must maintain and have available for inspection all payroll related documentation, including but not limited to employee contracts, I-9's, W-4s, timecards.

Effect: The lack of supporting documentation may result in the School incurring additional liabilities. This is a material weakness as there could be employees getting paid at incorrect rates.

Cause: Necessary documentation is not being consistently maintained within personnel files at School.

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding personnel files to insure that files have proper documentation.

Management's Response: The school will review its employee files to ensure all are in compliance with the required documentation. A school list of all required documents has been developed to ensure compliance.

FS 07-112 Purchase Orders

Condition: During our disbursement test work, we noted a purchase order in the amount of \$263.04 was issued after the check date.

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

Effect: The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC 6.20.2.17.

Cause: The original approved purchase order could not be located for review.

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

Management's Response: All purchase orders are submitted to the business office by the principal or principal's secretary. All purchase order information is maintained online and in hard copy. If the hard copy is not available the online purchase information can easily be printed.

FS 08-89 Budgetary Conditions

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

General Fund	
Support Services	\$10,238
Instructional Materials	
Instruction	\$ 4,605
Food Services	
Food Services	\$22,988
Title I	
Support Services	\$ 567

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

Effect: The School is not in compliance with the laws.

Cause: The school did not perform the necessary BARS for these funds.

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

Management's Response: End of year BAR's were prepared and reviewed by the governing council. However, the transition at the end of the year caused the BARs not to be entered. The school will ensure BARs are timely processed

FS 08-90 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

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Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's response: The finding was noted last year and the financial software has been changed to add the wording.

FS 08-91 Lack of Signatory Authority on Payroll Registers

Condition: During our review of payroll, we noted out of all the payroll registers that we reviewed, all were approved and submitted electronically by the same person..

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

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

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

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

Management's Response: The payroll was submitted by the principal for processing each pay period. The principal reviewed the final pay. In addition, the prepared of the payroll does not have signature authority. Other individuals including the principal must sign the paychecks mitigating the finding.

FS 08-92 Background Checks

Condition: During our review of payroll, 1 out of 3 employees did not have background checks on file until 11 months after they were hired.

Criteria: According to 22-10.3.3 NMSA 1978 policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

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Effect: The School has a potential for lawsuits as it is not protecting itself by performing background checks required by state statute.

Cause: There is not an established policy in place within the school that requires personnel files to be reviewed for background checks.

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding background checks to insure that each employee has been given a background check before being hired by the school.

Management's Response: The policies and procedures will be reviewed and updated to ensure compliance with all regulations.

FS 08-93 Inadequate Segregation of Duties in Receipting Process

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

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

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

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

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

Management's Response: The school will review and amend its cash receipting procedures as needed. However, the school receives minimal cash during the year.

FS 08-94 Pre-numbered Receipts

Condition: During our audit, we noted that receipts are not pre-numbered.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

Effect: This resulted in a violation of NM AC 6.20.2.11 (b).

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Cause: School also failed to give out pre-numbered receipts for cash received.

Auditor's Recommendation: We recommend school order pre-numbered cash receipts.

Management's Response: The school will order a pre-numbered receipt book.

08-95 PED Reports

Condition: The School's beginning cash on the cash report to the Public Education Department did not match the prior year financial statements for the general fund and the federal flow-through fund.

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

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

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

Cause: The school changed business managers at the end of the fiscal year. Reports could not be submitted until bank reconciliations were completed.

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

Management's Response: The official beginning numbers were never provided to the school by the auditor or the district as the audit was not official until May or June of 2009.

Auditor's Response: The school was provided DRAFT financial statements during the exit conference in November 2008. They knew what their ending cash balances were which at the time also agreed to their general ledger.

FS 09-108 Minutes

Condition: During review of minutes we noted that the names of the board members absent were not listed on the minutes.

Criteria: Chapter 10, Article 15 NMSA 1978 states that "the board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall

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include at a minimum the date, time, and place of the meeting, the names of board members in attendance and those absent. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present.”

Effect: The school is non-compliant with Chapter 10, Article 15 NMSA 1978.

Cause: The School failed to document which board members were absent from the board meetings.

Auditor's Recommendation: We recommend the school follow the open meetings act Chapter 10, Article 15 NMSA 1978 and include all the minimum requirements into the minutes.

Management's Response: A review of procedures for board minutes will be reviewed and amended for compliance.

FS 09-109 Contracts

Condition: The subcontractor assigned by REDW was not properly approved by the school.

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

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

Cause: Per the school they did not approve the accounting firm to assign the services.

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

Management's Response: The school experienced the cash reimbursement problems brought about by the PED RFR process. This caused the vendor's payment from the prior fiscal year to be included in the audited fiscal year. The contract was discussed with the Office of the State Auditor and signed off by that office.

FS 09-110 Internal Control Structure

Condition: During our test work we noted the following:

- During cash disbursement testwork we noted a contractor did not have contracts for services provided the school. We could not verify total amount paid.
- School could not provide lease addendum for rent on building.
- School could not provide lease for U-Store-It rent paid.

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

Effect: Rates could not be verified and this could allow for the school to pay contractors more than the agreed upon amount.

Cause: There is no one in charge of requiring service agreements to be signed or approved for contractors.

Auditor's Recommendation: The school needs to ensure that all services have a contract for services being performed for the school. The school needs to ensure that the contract states the rate at which the contractor will bill for their services.

Management's Response: A review of contract procedures and maintenance of documentation will be completed to ensure compliance.

FS 09-111 Bank Reconciliations

Condition: During our audit we noted that only the bank reconciliation for June 30, 2009 showed evidence that it had been reviewed and the reconciliation did not tie to the general ledger.

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

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

Cause: The school was not reconciling bank accounts.

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

Management's Response: Bank reconciliations are prepared monthly and reviewed. The process will be more thoroughly documented.

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FS 09-112 Difference with General Ledger

Condition: 941 reports did not reconcile to the general ledger for the year ended June 30, 2009. 941 reports had a difference of \$1,077. We also noted that the 06/30/2009 941 report was not submitted until 08/20/2009.

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

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

Cause: This is due to the school changing business managers at year end.

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

Management's Response: All 941 reports are reconciled to the general ledger. A master calendar has been developed to ensure compliance with all reporting deadlines.

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

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into the accounting system. Documentation could not be provided for journal entries tested. We could not verify whether someone is reviewing and approving journal entries made.

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

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

Cause: Due to the change in business managers, documentation may have been lost or misplaced.

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

Management's Response: Journal entries were documented and approved throughout the year. The school's goal is to minimize journal entries. Review of documentation will be completed to ensure thorough documentation.

FS 09-114 Budget Adjustment Requests (BAR)

Condition: During our audit we noted a BAR was not properly approved by the board in the amount of \$45,747.

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

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

Cause: Due to the change in business managers, BAR's were not always presented to the board for approval.

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

Management's Response: All BARs were reviewed and approved by the governing council. However, the transition at year end resulted in some BARs not being entered. The school will ensure timely entry of the BARs.

Los Puentes Charter School

FS 09-115 Checks Issued

Condition: During review of cancelled checks, we noted that 3 out of 3 checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date."

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Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The School will order checks that have "Void After One Year" on the next order. For our current check stock, we will order a stamp to stamp "Void After One Year" on them.

FS 09-116 Cash receipts

Condition: During our test work we noted the following:

- A deposit for drivers' license fees of \$120 was received from 01/23/2009 through 01/30/2009 but was not deposited until 02/3/2009.

Criteria: NMSA 6.20.2.14 requires that the school issue a pre-numbered receipt for all money received and that the school make all deposits 24 hours of receiving the money.

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

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

Auditor's Recommendation: Implement procedures to ensure deposits are made within 24 hours of receipt and that all cash received at the school is properly receipted.

Management's Response: The Business Office Assistant who makes the deposits did not work on Mondays and the school did not want to compromise its controls to have someone else deposit.

FS 09-117 ERB Contributions

Condition: During our test work we noted the ERB report for August 31, 2008 (\$18,527.99) was not submitted until September 18, 2008.

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

Effect: The school was in violation of ERB requirements.

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Cause: Business manager is unclear as to the dates as they are not consistent with work report submission history.

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

Management's Response: The Business Manager normally submits the payment when he submits the reports. The money was received on time, but the reports show as late. The Business Manager will continue to make the payments and submit the reports at the same time and will document any variances.

Montessori Elementary Charter School

FS 09-118 Checks Issued

Condition: During our cash disbursement walkthroughs we noted that the cancelled checks did not contain the wording "void after one year from date."

Criteria: Per NMAC 6.20.2.14 I 1, Each warrant or check issued shall have printed on its face the words, "void after one year from date". Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.

Effect: The school is not in compliance with the NMAC code.

Cause: School does not order checks with words written on face.

Auditor's Recommendation: We recommend the school order checks with the wording "void after one year from date" or print them on the check stock when checks are issued.

Management's Response: Void after one year is now on all checks.

FS 09-119 PED Cash Report

Condition: During testwork we could not agree the beginning cash on the cash report to the prior year audited financial statements.

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

Effect: Cash report is not correct.

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Cause: Audit adjustments were made during the prior year that the school could not reconcile to their beginning general ledger amount causing a difference.

Auditor's Recommendation: We recommend that the school reconcile their beginning cash balances to their audited cash in order to ensure that their PED reports are correct.

Management's Response: We have sent the auditors reconciliation, approved by PED, for our beginning balance. The Schools cash reports and GL do tie. Management asked prior year auditors to correct the financial statements to reflect the proper balances. The financial statements were not corrected. We feel this Finding should be cleared.

Auditor's Response: Moss Adams could not reconcile a difference of \$1,332.62 from the prior year audited financial statements to the general ledger. School could not explain difference.

FS 09-120 Internal Controls over Non-Standard Journal Entries

Condition: During our audit, we noted that there is no formal review process over non-standard journal entries. We noted that the business manager prepares journal entries. We also noted that the principal reviews however, she reviews a list of journal entries that does not have the amounts. We noted several journal entries on that list do not have the description on the journal entry. We also noted that documentation is not kept for 3 out of 8 journal entries.

Criteria: According do the State Board of Education Title 6, section 6.20.2.11, policies and procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principals is required. Sound business practices recommend review and approval of all non-standard journal entries and bank statements.

Effect: Proper authorization and review of journal entries and bank statements is important to limit the possibility of errors or fraud.

Cause: The School lacks policies related to the review of non-standard journal entries and bank statements.

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, approved, and supported.

Management's Response: All journal entries are reviewed and gone over with the principal on a monthly basis as recommended. We understand the need for the review process and that according to State Board of education Title 6, section 6.20.2.11 that sound business practices are recommended. Review of JEs is a recommended procedure and not a required procedure and there for does not rise to the level of a finding,

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especially since we do review them on a monthly basis. Management will, in addition to the review by the principal, take all JE's to our finance committee for their review. In prior year audits the procedure we used was ok.

Auditor's Response: Moss Adams was provided no evidence that the finance committee is reviewing journal entries. We also noted that there was no documentation for journal entries reviewed. While the principal does review a list of journal entries, we review that the principal or someone other than the person creating the journal entries review the debits and the credits to ensure that no unusual items are being posted.

FS 09-121 Disbursement

Condition: During our test work of cash disbursements, we noted that a blanket purchase order for \$7,321.12 was completed and approved after the invoice date.

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

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.

Cause: A PO was created once the first invoice was to be paid instead of at the beginning of the year due to the school being out for the summer.

Auditor's Recommendation: We recommend that policies and procedures be established that outline 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 PO was created on 8/11/09 and payment was made on 8/11/09. The vendor payment in question is for a contract copier maintenance agreement and is renewed on an annual basis. The payment was for July. The School created Po's for annual Contracts the first week in August do to the school being closed in July.

FS 09-122 ERA and RHC Contributions

Condition: During field work, we noted on RHC that the payments for May 31, 2009 (\$2,152.03) was not filed until July 7, 2009, February 28, 2009 (\$1,446.82) and March 31, 2009 (\$1,465.02) was not filed until May 6, 2009, October 31, 2008 (\$2,290.02) was not filed until November 11, 2008, August 31, 2008 (\$910.05) was not filed until September 11, 2008. We noted on the ERB that the payments for March 31, 2009 (\$14,687.80) was not filed until April 21, 2009, February 29, 2009 (\$14,505.25) was not filed until March 17, 2009, January 31, 2009 (\$15,484.06) was not filed until February 20, 2009, and August 31, 2008 (\$9,131.84) was not filed until September 16, 2008.

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

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

Cause: Payments were late due to business manager not being at the school full time.

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

Management's Response: Management will set in process and continue its policy to pay RHCA by the 10th of the month and ERB By the 15th of the month. RHCA has told the school that reports and contribution are due the 15th of the month.

FS 09-123 941 Reports

Condition: We could not verify when the 941 reports were submitted.

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

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

Cause: The school does not keep signed copies of 941 reports submitted.

Auditor's Recommendation: The school should keep copies of all submitted reports.

Management's Response: The school files 941's on time and understands the need for a signed copy to be filed. The school, with its policy to cut back on paper usage, keeps an electronic file of all 941's that are sent to the IRS. The school will now scan the signed 941's and keep it in a file for review when audited.

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Montessori of the Rio Grande

FS 09-124-Timely Deposits

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

- We noted there was no pre-numbered receipts attached on 2 out of 3 transactions and could not verify whether the funds were deposited within 24 hours in the amounts of \$430.00 and \$28,064.50.
- We could not determine whether a deposit was made within 24 hours as no date was written on the pre-numbered receipt. Total amount of deposit was \$1,460.48.

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

Effect: The finding resulted in a violation of State law. Additionally, Cash receipts sit in an unsafe and unsecure box for more than 24 hours. Checks could be lost or stolen and are not being recorded when received.

Cause: Checks are put in a locked school mail box on a daily basis however the business office only checks the box every Monday and Thursday. School does not have a receipt book with pre-numbered receipts where they record receipts received. *However, they failed to issue a receipt in this instance.*

Auditor's Recommendation: We recommend the school implement procedures to ensure deposits are made within 24 hours of receipt.

Management's Response: It is the policy of MRGC to issue a pre-numbered receipt for each check received. Moss Adam's test consisted of 3 transactions from over six hundred receipts. Two of those three selected were processed on the same day when we were short handed and anxious to get the deposit in the bank. As a result of our carelessness, a pre-numbered receipt was not completed for those receipts.

Beginning in FY 2010, we have hired a full time Office Manager. One of her duties is to issue pre-numbered receipts for each receipt and to process deposits on a daily basis. This new position not only allows us to process deposits more accurately, but also allows for the separation of duties for internal Control purposes. If a check is received after the deposit has been made for the day, it is placed in a locked safe in the Business Manager's office.

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FS 09-125 Disbursement

Condition: During our test work of cash disbursements, we noted that a purchase order for \$500 was completed and approved after the items were purchased from the store. The total amount of the purchase was \$287.88. We noted the items were purchased on 09/17/2008 and the purchase order was dated 10/14/2008.

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

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.

Cause: School was confused about the timing of the purchase order and the credit card statement.

Auditor's Recommendation: We recommend that policies and procedures be established that outline 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 purchase order referred to in the finding was for Home Depot. We had been using a gift card when purchasing at Home Depot. However, because of approval from the last audit, we established a credit card. We were confused on the timing of the purchase order and the credit card statement.

We will make an additional effort to insure that a purchase order is created for an amount substantial enough to cover the actual invoice.

FS 09-126 Budget Adjustment Requests (BAR)

Condition: During our audit we noted school over budgeted the operational fund for the current year. We noted difference of \$3,238 between budgeted carryover (\$84,000) and carryover per the prior year financial statements (\$80,762).

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

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

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Cause: The school was unaware that their carryover had to agree to financial statements.

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

Management's Response: It has not been brought to the attention of MRGC in past audits that the carryover should tie to actual cash balance at fiscal year end. We were also not aware that we should create a BAR in the following year to tie cash to the carryover. We will do so for FY 2010.

FS 09-127 Internal Control Structure

Condition: During our test work we noted the following:

- We noted revenue for the library allocation was posted to the wrong fund.

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

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

Cause: The school did not realize what these funds were related to.

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

Management's Response: A direct deposit of \$462.00 was made into our account from the PED on June 30, 2009. We attempted to contact the bank as well as PED, however, there was no additional information available. We believe that these funds were Instructional Materials and were posted into the incorrect account. We will correct this posting with Moss Adams's AJE#3.

FS 09-128 Budgetary Conditions

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

General Fund	
Direct Instruction	\$5,660

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

Effect: The school is not in compliance with laws.

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

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

Management's Response: MRGC reviews Budget to Actual for each fund and function on a monthly basis. The review is conducted by the Principal and the Business Manager as well as members of the Finance Committee. Our general ledger shows in Fund 11000, Function 1000 with a budget balance at 6/30/09 of \$819,719 and an actual balance of \$815,132. We do not believe that we were over budget in this Function/Fund and we would like this finding removed.

Auditor's Response: Moss Adams reviewed budgetary reports submitted to PED and noted that the school was over-budget in this function. We have communicated to the school their error during the exit conference and they indicated they will look at the functions more closely.

FS 09-129 Fixed Asset Inventory Count

Condition: The school did not perform a physical inventory of fixed assets at the end of the fiscal year.

Criteria: Per NMAC 2.20.1.16 Annual inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of the fixed assets consisting of those with historical cost of five thousand (\$5,000) or more, under the control of governing authority.

Effect: The school is noncompliant with NMAC 2.20.1.16 and internal controls implemented for safeguarding capital assets and establishing accountability for their custody and use were not followed.

Cause: School does not have policies in place for a physical inventory count.

Auditor's Recommendation: The school should follow policy for the Annual Inventory of capital assets to take place and reconcile it to the capital asset listing.

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Management's Response: All of the capital assets over \$5000.00 are playground equipment or prefabricated building. We did not believe it was necessary to do an inventory of attached equipment and building. Also, we have not been requested to perform a physical inventory in past audits. However, in the future we will implement a policy to perform an annual physical inventory count.

FS 09-130 Compensated Absences

Condition: During our audit we noted policies approved in the minutes related to compensated absences have not been updated in the employee handbooks and do not agree to the contracts.

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

Effect: Employees may not be receiving all the benefits owed to them.

Cause: The contracts were not updated when the policy was approved in the minutes.

Auditor's Recommendation: The school should ensure that all policies and procedures created are being properly followed.

Management's Response: Employees are receiving all of the benefits owed to them in the form of compensation, leave and benefits. The policy for compensated absences has not been updated in the employee handbook, but will be for FY 2010. Also, this policy has been included in contracts for FY 2010.

FS 09-131 Bank Reconciliations

Condition: We noted there was no evidence that bank reconciliations are being reviewed.

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

Effect: School is not in compliance with NMAC 6.20.2.14.

Cause: Treasurer does not sign off that they are reviewing the bank reconciliations. The school did not know that they had to do this.

Auditor's Recommendation: Reconcile all material balance sheet accounts on at least a monthly basis and have someone other than the person preparing the bank reconciliations review.

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Management's Response: Bank reconciliations are review on a monthly basis by our Treasurer who is a CPA. However, he was not signing off on each one. Beginning in FY 2010, he will sign off on bank reconciliations on a monthly basis.

Mountain Mahogany Charter School

FS 07-131 941 Payments

Condition: During our test work, we noted that \$10,512.22 in 941 payments was paid late. The school received a penalty of \$495.02 for amounts being paid late.

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

Effect: The school received penalties for payments being made late.

Cause: The school did not make timely payments to the Internal Revenue Service.

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

Management's Response: The school had been paying IRS on a monthly basis since it opened, without penalty. While working with a tax advocate from the IRS the school was informed that payments were on due on a monthly basis. When a penalty notice arrived the tax advocate removed the penalty saying that our status was still monthly. This was an error and we were later charged another penalty that could not be removed. To ensure payments are made bi-weekly and on-time payroll taxes are issued simultaneously with payroll.

FS 09-132 Purchase Orders

Condition: During our testwork we noted the following:

- We noted that the purchase order and purchase requisition was created after the travel took place and after the travel reimbursement request was approved.
- We noted two out of three transactions where P.O.s were created after the invoice date and after the date of service.

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

Effect: The School may have overspent on purchases due to lack of proper authorization which is a violation of NMAC 6.20.2.17. The proper maintenance of supporting

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documentation relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

Cause: Purchase orders are being created after invoices are being received and not before.

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

Management's Response: Procedures were in place so that all expenditures were approved before they were incurred. Contracts were signed and the budget designated for that purpose. In some instances reimbursements were made for expenditures that were deemed to be appropriate with proper documentation. The school will issue purchase orders prior to signing contracts and prior to travel in the future. Policies will be established for reimbursement of expenses with no purchase orders, and for emergency expenditures.

FS 09-133 Internal Control Structure

Condition: During our fieldwork we noted the following:

- Monthly maintenance fees on a copier were posted to the rent expense account instead of the maintenance and repairs account.

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

Effect: The financial statements could be misleading.

Cause: All copier expenses are posted against the rent expense automatically by the system.

Auditor's Recommendation: We recommend accounts be reviewed before they are posted to the General Ledger.

Management's Response: Copier maintenance fees will be posted to maintenance, not to the copier rental account number.

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FS 09-134 Cash Disbursements

Condition: During our fieldwork we noted that a check to a store was made for \$7,089.75. We noted that the total on the receipt was \$7,081.65. The school overpaid the invoice in the amount of \$8.10.

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

Effect: This could result in inadequate authorization of expenditures.

Cause: The check was written before the check was taken to the store to make the purchase.

Auditor's Recommendation: We recommend that the school create policies and procedures for purchase items at stores and follow them.

Management's Response: The store would not take a purchase order. Instead they required us to deliver a check in exchange for the computer equipment. At the store the cashier added a discount to the receipt that was not included on their invoice and took the check for \$8.10 more and did not credit the amount. The receipt was attached to the invoice, but not audited upon return from the store. The school will create policies for purchasing items at store and auditing those types of payments.

FS 09-135 PNM Award

Condition: During our test work of revenue, we noted that the school did not spend all of their PNM grant money by May 1, 2009. If they did not spend monies by 05/01/2009 they were required to send a plan to PNM of how they plan to spend the monies. The school failed to complete a plan of how they plan to spend the remaining funds.

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

Effect: School is not in compliance with grant requirements.

Cause: School tried numerous times to contact PNM by phone but was unsuccessful. A written plan was not developed until the time of the audit.

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

Management's Response: The school will review regularly all grant requirements to expend the grants and to remain in compliance.

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FS 09-136 Budgetary Conditions

Condition: The School failed to complete a budget adjustment request for the Beginning Teacher Mentoring grant award received.

Criteria: Per NMAC 6.20.2.10, the school shall submit budget adjusted requests for the operating budget to the department for budget increases, decreases, transfers between functional categories and transfers from the emergency reserve account.

Effect: The school is not in compliance with budget maintenance standards or with specifications of the grant award that require that a budget adjustment be completed with PED.

Cause: The school did not know whether they would be spending this money in the current year.

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

Management's Response: Mountain Mahogany will have periodic reviews of Grants at budget meetings and in April to be sure all grants have received budget authority and are expended before year's end.

Native American Community Academy

FS 07-134 ERB Contributions

Condition: We noted the ERB payments for May 2009 (\$164,357.62) was paid June 22, 2009. We noted that the February 2009 (106,641.96) payment was not paid till March 17, 2009. We also noted that the report for July, September and October 2008 could not be located. Finally, we noted that the School was assessed a penalty for late payment on November 2008 contribution (99,207.40).

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

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

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

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

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Management's Response: Management agrees in remitting ERB contributions timely. The exceptions were an oversight. We have created a calendar reflecting all deadlines, with automatic reminders, to ensure compliance. All ERB payments have been remitted on time or early for school year 2009-10.

FS 07-135 Timely Deposits

Condition: During our test work of cash receipts, we noted that 3 of 3 receipts tested could not be determined whether amounts of \$85,000, \$671.00, and \$12,530 (two checks \$3,780 and \$8,750) were deposited within 24 hours as pre-numbered receipts were not issued.

Criteria: NACA shall deposit funds in the appropriate account at a federally insured bank within 24 hours of receipt or one banking day as required by 6.20.2.14.C. NMAC.

Effect: The school was in violation of NMAC requirements.

Cause: The school failed to make its Deposit timely.

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

Management's Response: Management agrees with the need to deposit checks and cash timely. NACA is currently receipting in all checks and cash with pre-numbered receipts and depositing within 24 hours or one banking day of receipt. Therefore, current policies and procedures are in accordance with the requirements.

FS 07-139 PED Reports

Condition: During our test work we could not agree the ending balance on the cash report to the final trial balance. We noted that current year expenditures did not agree to actual for both the general fund and the instructional materials fund. We also could not agree the receivable/payable amounts for the general fund, federal flow through fund, local grant fund, state flow through fund and the local/state fund. We do not believe that the general fund is being reported to PED correctly.

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

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

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

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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 agrees with the need for a full reconciliation of general ledger and state reports. As this was year end, there was an entry posted after the cash report was sent. In the future, once the cash report is submitted, there will be no entries processed to the prior period or an updated cash report will be submitted.

FS 07-140 Stale Dated Checks

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

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

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

Cause: Management has not monitored outstanding checks.

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

Management's Response: The check is drawn on an inactive fund and therefore, management must have state approval and instructions before voiding or reissuing. We have been in communication with our budget analyst and will continue to pursue resolution of this item. In the future, outstanding items will be reviewed for age.

FS 07-141 Budgetary Conditions

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

General Fund	
Instruction	\$ 27,075
General Fund	
Support Services	220,227
Instructional Materials	
Support Services	4,095
Title I	
Instruction	26,346

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Indian Ed Act Title VII	
Support Services	15,084
New Mexico Community Foundation	
Instruction	6,756

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

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

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

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

Management's Response: Management agrees that budget should be monitored and reviewed. We prepared a comprehensive BAR at year end, however, the new Business Manager reviewed the budget as a whole, and did not review by function. In the future, the review will include a function review as well.

FS 07-142 RHC & 941 Reports and Contributions

Condition: During our test work of RHC contributions we noted that the client did not have any supporting documentation for payments made. We could not determine whether or not payments were even made for fiscal year 2009. We also noted that the school could locate the 941 report for the 4th quarter of 2008 and did not know whether or not this payment was even made to the IRS.

Criteria: RHC payments and reported are required to be made quarterly and submitted to later than the 10th of the following month. 941 reports are required to be filed by the 25th day of the month following the end of the quarter.

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

Cause: Due to the change in business managers, the current business manager has been trying to catch-up the school.

Auditor's Recommendation: We recommend that school management implement an internal control system to insure that RHC reports are kept on file and are reconciled to the general ledger.

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Management's Response: Management agrees in the need for full regulatory compliance. We are currently in the process of ensuring full compliance. We have been in communication with regulatory agencies to remedy any outstanding items. We are currently processing the remittances timely and will review the general ledger for outstanding balances regularly.

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

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

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

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

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

Auditor's Recommendation: We recommend the foundation reconcile the amounts being received to the amounts being deposited into the bank account.

Management's Response: Management agrees with the need to segregate duties. NACA is currently having all incoming cash or checks receipted in by the Office Manager, who does not have any access to the general ledger or bank account. The Principal is the only authorized signer on the bank accounts. A Governing Council member reviews and approves the bank reconciliation. Therefore, our current policies and procedures are in compliance.

FS 08-99 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

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Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's response: We worked with the accounting software vendor to add "void after one year from date" on all checks. We are now in compliance of this requirement. This was done in March of 2009.

FS 08-103 Difference with General Ledger

Condition: ERB reports did not reconcile to the general ledger for the year ended June 30, 2008. ERB reports had an irreconcilable difference of \$20,587.

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

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

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 ERB contributions to ensure the correct contributions are being submitted.

Management's Response: Management agrees with the need to verify the general ledger and payroll are in agreement. We are processing the payments utilizing the accounting software payroll voucher management. We will also begin to reconcile the general ledger to the payments to ensure accuracy.

FS 08-105 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. We noted several Journal entries did not have supporting documentation and were not approved.

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

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

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Cause: The school recently began operations and is continually updating its policies and procedures manual. The school has not yet 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.

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: Management agrees for the need to have internal controls over non-standard journal entries. Currently journal entries are prepared and approved by the Principal. All journal entries, with backup, are maintained in a notebook for future reference.

FS 08-106 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to request a BAR for the entire increase in PSCOC Lease Assistance fund.
- We noted that the school budgeted 56,219 in carryover in the general fund. We noted that the school did not have carryover in the prior year.

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

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

Cause: School failed to complete necessary BARS.

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

Management's Response: Management agrees with the need for BARS to be prepared timely. Currently we are processing BARS once an award letter is approved to prevent the omission of a BAR.

FS 09-137 Travel & Per Diem

Condition: During our test work we noted one out of three transactions tested where 58.5 cents per mile was reimbursed instead of the .32 cents allowed. We also noted that this transaction was not for travel in a personal vehicle, but in a rental vehicle. Over payment occurred in the amounts of \$80.15.

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Criteria: Per NMAC 2.42.2.11 employees shall be reimbursed for mileage accrued in the use of a privately owned automobile, thirty two cents (.32) per mile.

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

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

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

Management's Response: Management agrees with the need to follow the travel and per diem policy. We currently utilize APS' per diem rate or reimbursement on actual gas receipts. Documentation of mileage or actual receipts are maintained as backup to the disbursement.

FS 09-138 Purchase Orders

Condition: During our testwork we noted the following:

- We noted that the purchase order and purchase requisition was created after the travel took place.
- We noted two out of three transactions where Purchase Orders were created after the invoice date and after the date of service.

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

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

Cause: Since the old business manager was not on-site, approving PO's was often overlooked until the invoice was paid.

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

Management's Response: Management agrees with the need to follow the purchasing policies regarding purchase orders. We have purchasing policies that comply with the requirements. The policy requires a purchase requisition be prepared and submitted prior

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to procuring goods or services on behalf of Native American Community Academy. We will also notify vendors that purchase orders are required prior to rendering services or supplying goods.

FS 09-139 Payroll – Lack of Supporting Documentation

Condition: During test work we noted the following:

- timesheet could not be located for substitute teacher

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 pay deduction authorizations, pay posting change notices, Educational Retirement Act plan application, and direct deposit authorizations.

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

Cause: The school does not require contracts for substitutes.

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

Management's Response: Management agrees with the need for proper backup be maintained for disbursements. We currently utilize a timesheet as backup for substitute pay. This documentation is maintained as backup along with a copy of the signed check. Also, a payroll register that includes all pay is reviewed and approved for each payroll.

FS 09-140 Procurement Code

Condition: During the year ended June 30, 2009 we noted three instances were services exceeded \$50,000 that did not go out for bid. Total amount paid to vendors were \$87,186.44, \$73,374.37, and \$53,071.80.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School would not believe amounts paid would exceed \$50,000.

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

Management's Response: Management agrees with the need to maintain adequate internal control over purchasing.

One vendor was utilized for transportation services. We attempted to contract with APS, however, due to bell schedule issues, needed to contract directly with the transportation contractor. We utilized the APS contractor, believing they were an APS approved vendor.

The second vendor was originally contracted as a Social Work Supervisor. However, due to a resignation, the scope of work was required to be expanded to ensure compliance with IEP requirements. Therefore, the Social Work Supervisor was required to provide services to students. When original contract was reviewed and drafted, the scope of work was limited to supervision and would not exceed \$50,000 for the school year.

The third vendor was originally contracted as an IT Contractor. As the school has grown and we have moved toward more technology integration, the scope of work increased to assist educators in technology integration. As a result of this need, the hours required increased, causing the total to exceed \$50,000.

When securing contract services, we will ensure that the annual contract will not exceed \$50,000. Also, we will monitor contractor payments to ensure that payments are not going to exceed the \$50,000 within the year. If the \$50,000 cap will be exceeded, we will issue an RFP or bid for these services or utilize an approved vendor.

FS 09-141 Fixed Asset Inventory

Condition: For the 2008/2009 year, the School did not perform an annual inventory of fixed assets. For audit testwork the school relied on a prior year audit document for a fixed asset listing.

Criteria: Per NMAC 2.20.1.16 Annual Inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of five thousand dollars (\$5,000) or more, under the control of the governing authority.

Effect: The School is noncompliant with NMAC 2.20.1.16 and does not have internal controls implemented for safeguarding them and establishing accountability for their custody and use.

Cause: The School was unaware of this requirement.

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Auditor's Recommendation: The School should ensure a policy to conduct an annual inventory of fixed assets is implemented.

Management's Response: Management agrees with the need to safeguard fixed assets. The school has 2 fixed assets, which are both easily visible in the Administrative office of the school. Due to the nature of the assets (copier and server) and the high visibility of the assets, the school did not believe that a physical inventory was necessary. In the future, management will document the physical assets on an annual basis.

FS 09-142 Policies and Procedures

Condition: The Charter School does not have policies and procedures in place for capital assets.

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

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

Cause: Management did not realize policies and procedures had not been prepared.

Auditor's Recommendation: The School should develop policies and procedures for the capitalization of assets to ensure proper accounting for the school and other areas outlined in SBE-6 Regulation.

Management's Response: Management agrees with the need to have policies and procedures for capital assets. Capital assets are addressed in our charter. Also, we utilize the state capitalization threshold of \$5,000. Since we utilize the state capitalization policy, we did not believe that separate policies were required, however, will include language that we will adhere to the state policy.

FS 09-143 Bank Reconciliations

Condition: During our audit we noted there were two items on the June 30, 2009 bank reconciliation that the school could not explain in the amounts of \$35,519 and \$15,101. We also noted a difference from the GL of \$1,968.

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

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

Cause: The school posted an adjustment that did not clear correctly on the bank reconciliation.

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

Management's Response: Management agrees with the need for timely and accurate bank reconciliations. These 2 items were the result of a posting error within the accounting software. We have worked with the accounting software to correct these items.

FS 09-144 Late Payments

Condition: During our audit we noted that the rent payable on the prior year financial statements still has not been paid to APS even though the school has received the reimbursement request from the state for the funds. We also noted that the school has not returned unspent money from the prior year Beginning Teacher Mentoring fund.

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

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

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

Auditor's Recommendation: We recommend that the school implement a system which would allow accounts payable to be processed in a timely manner.

Management's Response: Management agrees with the need to make timely payments to vendors. We are currently monitoring payables and insuring timely processing. This regular monitoring will insure compliance.

Alice King Community School (Formerly North Albuquerque Co-Op)

FS 06-148 Internal Controls over Journal Entries

Condition: We noted there is no evidence that Journal Entries are being reviewed.

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.

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

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.

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: Journal Entries had been reviewed by our Finance Committee throughout the 2009-2009 fiscal year; however, they were not signed by the Treasurer. Our Treasurer is now signing off on the Journal Entries as presented during the monthly finance committee meetings.

FS 07-145 Cash receipts

Condition: During our test work we noted the following:

- Two out of three transactions in the amounts of \$544.65 and \$1,014.67 did not have a pre-numbered receipt and we could not verify whether amounts were deposited within 24 hours.
- A deposit for daycare fees of \$950 was received from 09/16/2008 through 09/29/2009 but was not deposited until 09/30/2008.

Criteria: NMSA 6.20.2.14 requires that the school issue a pre-numbered receipt for all money received and that the school make all deposits 24 hours of receiving the money.

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

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

Auditor's Recommendation: Implement procedures to ensure deposits are made within 24 hours of receipt and that all cash received at the school is properly receipted.

Management's Response: : The check in the amount of \$1,014.67 was received from SW Regional Education Service in the mail and did have verification of services rendered for Medicaid services on students with both Medicaid coverage and IEPs. The amount of \$544.65 was turned in with an activity deposit worksheet. Receipts for activities will now be issued.

Receipts for Day Care are issued and will now be deposited within 24 hours of receipt.

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FS 09-145 Disbursements

Condition: During our testwork we noted a transaction where a contractor was to begin services on 07/01/2008, however was paid for services in the month of June 2008 for a total of \$1,777.31. We also noted the purchase order was created/approved after the invoice was received.

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

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

Cause: A contract was not created until the new fiscal year.

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

Management's Response: We agree that the contract was created for the beginning of fiscal year 2008-2009 (July 1, 2009) although services began in June of 2009; however, Purchase Orders cannot be created until after a contract is signed. Purchase Orders are created for the purpose of encumbering such expenditures in a scenario where a contract is the approved legally binding document.

FS 09-146 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

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Management's response: New Checks have been order for Alice King Community School and now have "Void after 90 days" written on the face of the check.

FS 09-147 IRS and CRS Payments

Condition: During our test work, we noted that \$7,264.54 in 941 payments was paid late. The school received a penalty of \$1,311.43 and an interest charge of \$31.82 for amounts being paid late. We also noted a CRS payment for April 2008 was paid late. The school received a \$5.00 penalty.

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

Effect: The school received penalties for payments being made late.

Cause: The payment in EFTPS was entered but not submitted. The business manager noticed when she went to reconcile bank accounts and noticed they had not cleared.

Auditor's Recommendation: We recommend that school management implement an internal control system to insure that 941 and CRS payments are processed and paid timely.

Management's Response: The timeliness of IRS and CRS payments has been corrected. The IRS payment was made along with actual payments made to employees throughout July 2008, which was incorrect; it should have been made as soon as the books were closed out in June of 2008. We were able to recoup \$163.57; however, the IRS had to charge penalties based on the 941 report for the second quarter of 2008.

Gordon Bernell Charter School

FS 08-66 Cash Receipts

Condition: During our cash receipts test work, it was noted that pre-numbered receipts were not made for contributions received.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

Effect: Improper procedures in the receipting cycle could cause a misstatement in cash. Mishandled cash could also lead to theft.

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Cause: The School did not consider pre-numbered receipts when developing their internal controls.

Auditor's Recommendation: The Foundation should begin to use factory pre-numbered receipts to receipt all money received.

Management's Response: Pre-numbered receipts have been ordered by the Business Office for future contributions received.

FS 08-67 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to request a BAR for Public School Capital Outlay, Beginning Teacher Mentoring fund, Join-a-School, and carryover for State Stimulus.
- We also noted an amount budgeted of \$250,000 that was a test transaction that should have been voided as the school was not awarded these funds.
- The school did not perform a BAR to reduce the final budget amount to actual grant award for IDEA B funds.

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

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

Cause: The Business manager indicated that they had network issues and did not have internet most of the year in order to submit BARS into OBMS.

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

Management's Response: BARS will be reviewed, approved and submitted as required within State Statute. A log has been put in place in the Business Office to accurately track and monitor the BARS that have been approved and submitted.

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FS 08-68 RHC Contributions

Condition: During field work, we noted that nine payments were submitted late and that the total payments did not materially agree to the General Ledger.

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

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

Cause: The school did not submit the RHC reports on time.

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

Management's Response: As payroll liability accounts for GBCS were being established, the Business Manager continually tried to get in touch with RHC in order to establish account. Numerous messages were left and emails were sent, and no responses were received. Once contact was made, an account was established and all of the payments were then submitted appropriately.

FS 08-69 PED Reports

Condition: The School's cash report to the Public Education Department did not match the General Ledger. We also noted that several of the YTD expenditure amounts that were reported to PED on the budget to actual report did not match the General Ledger.

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

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

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

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

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Management's Response: All reports are generated out of APTA Fund and uploaded into OBMS. Once reports are compared against the cash report, accuracy is reviewed and approved (submitted) in OBMS.

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

Condition: The Charter School does not have adequate internal controls over non-standard journal entries entered into the accounting system. Two out of five journal entries tested did not have approval or supporting documentation.

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

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

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

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

Management's Response: Thorough and required documentation will continue to be attached and reviewed by the Director prior to the input of the journal entries.

08-72 Internal Control Structure

Condition: During our audit we noted the following:

- ERB expenses were being posted to the wrong account number. We also noted that the ERB payments are not being submitted on time.
- Documentation could not be obtained for accrued liability amounts in the amount of \$6,272. Also invoices could not be located for 2 out of 25 selected for our single audit cash disbursements test work.
- During our single audit reporting test work we noted that the 4th Quarter expenditure report submitted to PED did not agree to the underlying accounting records.

Criteria: Per NMAC 6.2.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with

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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.

Also monthly contributions to ERB are required to be remitted no later than the 15th of the following month.

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

Cause: Per business manager this is due to an APTA function that the ERB expense is being posted to another account. Documentation was not produced for accrued liability amounts.

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

Management's Response: Policies and procedures are being revised to address the inefficiencies of our current system. ERB expenses are going to be classified appropriately.

FS 09-148 Cash Disbursements

Condition: During our testwork we noted the following exceptions:

- Signature authorizing payment on an invoice was not present for 1 out of 3 items tested.
- We noted that the purchase order and purchase requisition was created after the travel reimbursement request was approved and after the travel took place.
- We noted that 1 out of 3 disbursements created PO's after services were performed. We also not 5 our of 25 disbursements tested for our single audit test work where the PO was created after the invoice was received.
- We noted that a purchase order was overspent in the amount of \$245.55.

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.

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

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relating to financial transaction is necessary to mitigate possible dual payments of invoices, resolution of disputes with vendors, etc.

Cause: It was noted during our discussions that the processes were not being consistently followed because they were not very organized and they were trying to fill a new school with equipment and supplies at a rapid pace to be prepared for the year.

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

Management's Response: Support staff has been added to ensure that a proper segregation of duties is complied with within the Business Office and that all purchases are continually handled appropriately.

FS 09-149 Checks Issued

Condition: During review of cancelled checks, we noted that the checks do not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: The school could be liable for checks potentially cancelled.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: Current checks will be destroyed and new checks are being reordered to have "void after one year from date" printed on them.

FS 09-150 Inadequate Segregation of Duties in the Receipting Process

Condition: During our review of the cash receipts process, we noted that the same person receiving the money, prepares the deposit slip, and also takes the deposit to the bank.

Criteria: According to NMSA 1978, Section 6-5-2, Segregation of duties must be obtained.

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

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

Auditor's Recommendation: We recommend the school have one person write down all receipts on a pre-numbered receipt, one person make out the deposit slip and deposit money, and a third person reconcile the pre-numbered receipts to the deposit receipt received from the bank.

Management's Response: As stated, pre-numbered receipts have been ordered and will be used by the Administrative Assistant and the Business Office Assistant, the assistant makes the deposit slip and the Business Manager collects and reconciles the receipts.

FS 09-151 Budgetary Conditions

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

Federal Stimulus	
Instruction	203,569
Support Services	130,588
State Stimulus	
Support Services	10,761
Public School Capital Outlay	
Capital Outlay	162,512

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

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

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

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

Management's Response: As our first year drew to an end, policies are being developed to address the inefficiencies of the current system. BARS will be reviewed, approved and submitted as required by State Statute. A log has been put in place in the Business Office to accurately track and monitor the BARS that have been approved and submitted.

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FS 09-152 Stale Dated Checks

Condition: During cash test work, we noted one outstanding check in the amount of \$1,244.10 that is considered stale dated.

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 on year after it is written.

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

Cause: Management has not monitored outstanding checks.

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

Management's Response: Bank reconciliations are done on a monthly basis to monitor outstanding checks/items. As stated earlier, policies are currently being reviewed and revised to address the inefficiencies in our current system.

FS 09-153 State Auditor Capitalization Policy

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

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

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

Cause: The school has not updated their policy to be in line with State Statues as this was their first year of operations.

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

Management's Response: Items are appropriately tracked within APTA Fund on the capitalization of equipment over \$5,000. Equipment was tracked since the school's beginning on an Excel spreadsheet which identified all of the equipment, serial numbers,

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location, and fund in which the item was purchased under. A tag was also placed on the equipment, which included the fund the item was purchased under. The school also tracks these and all equipment on a new inventory system that was purchased to more appropriately track and give the capability of tagging all equipment.

FS 09-154 Untimely Reimbursement Requests

Condition: During our audit, we noted federal reimbursement requests were not being completed in a timely manner.

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

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

Cause: The Business Manager did not know that she had to make the request through OBMS.

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

Management's Response: All federal reimbursement requests were made manually as instructed by the PED Charter School Office. A calendar with all due dates and timeliness has been revised and implemented in the Business Office.

FS 09-155 Cash Carryover

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

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

Effect: The school could receive less SEG funds in FY 2010.

Cause: The school did not spend all of the funds received in the current year.

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

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Management's Response: The school did not account for the carryover of funds and was under the allowable limit. Due to the approval of additional federal grant monies, \$105,053, the cash that was available in operational funds was in excess of the carryover amount.

FS 09-156 Procurement

Condition: During our single audit test work we noted that the school could not locate supporting documentation to show that they were in compliance with the state procurement code for 1 out of 2 items tested.

Criteria: Per 1.4.1.15 NMAC the school should retain all documentation for all procurement to ensure they are following state requirements.

Effect: There was no way to determine whether the school was in compliance with the state procurement code.

Cause: The school has an inadequate control structure in relation to the filing and retention of supporting documentation for cash disbursements.

Auditor's Recommendation: All documentation for procurement should be retained and the school should review the state procurement regulations when they have a request for proposal.

Management's Response: The procurement that was in question above was sole source procurement, with the sole source justification letter attached.

Auditor's Response: We received the letter, however, this was not approved by the state auditor and there was no indication that this vendor was a state contractor.

Nuestros Valores

FS 06-153 Internal Controls Over Journal Entries

Condition: During our journal entry test work we noted that not all journal entries posted had a description of why the journal entry was made and the wrong account code was used in one instance. We also noted that someone from the board of directors does not review journal entries.

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.

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

Cause: The School has not established proper internal controls over journal entries.

Auditor's Recommendation: We recommend the School implement a procedure to insure non-standard journal entries are reviewed and approved and that all journal entries are accompanied by a description.

Management's Response: The school will update Journal Entries Policy requiring Business Manager and Principal signatures on all reviewed and approved journal entries at monthly financial meetings. All journal entries will have a description describing why they were made, as well as a printout of the journal entry posted in the accounting system.

FS 07-161 ERB and RHC Contributions

Condition: We noted the ERB payments for August 2008 were not paid until August 18, 2008. We noted on the RHC reports for July, August, October, November, and December were not sent until December 31, 2008. We noted that the January 2009 report was not sent until February 13, 2009. The February 2009 report was not sent until March 12, 2009. The March 2009 report was not sent until April 15, 2009, the May 2009 report was not submitted until June 11, 2009 and the June 2009 report was not submitted until July 15, 2009.

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

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

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

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

Management's Response: The school will continue to revise the internal control system to insure that both RHC and ERB contributions are processed and paid in a timely manner. The payroll position was filled in December 2008, and the outstanding payments for RHC were processed. The new administrator had an incorrect deadline listed on the checklist for RHC, and all future payments will be processed within the due dates.

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FS 07-162 941 Payments

Condition: During our test work, we noted that the school paid \$17,245.88 in 941 payments in October 2008.

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

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

Cause: The school did not make timely payments to the Internal Revenue Service.

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

Management's Response: The Business office will reconcile the general ledger to 941 Forms submitted to the Internal Revenue Service monthly. The vacant position was filled in December 2008 with the position following a master checklist and schedule of all deadlines as per 941 reports. This checklist will be review and signed by both the Business Manager and Principal at monthly finance meetings.

FS 07-163 Credit Card Purchases-Lack of Supporting Documentation

Condition: During our test work we noted several credit card purchases of approximately \$112.60 that were not accompanied by receipts or other supporting documentation. Also, the School was not utilizing a purchase card for credit card purchases. The School also incurred late fees of \$66.05.

Criteria: All purchases made with the School's credit card should be accompanied by itemized receipts and should be a necessary purchase for the school and use a p-card that is permitted by the state.

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

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

Auditor's 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

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documentation for individual credit card purchases. Also, all purchases should be made with a purchase card.

Management's Response: The credit cards for the school have been cancelled as of 6/30/09.

FS 08-111 Internal Control over Financial Reporting Compliance

Condition: The individuals responsible for the accounting and reporting functions for the Charter lack the skills and knowledge to apply generally accepted accounting principles in preparing the entity's financial statements. The accounting management has not obtained training to adequately apply generally accepted accounting principles, which includes GASB 34 and subsequent pronouncements.

Criteria: Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Effect: The Charter, without the aid of its auditors, is unable to accurately prepare financial statements in accordance with governmental accounting standards with regard to applying generally accepted accounting principles.

Cause: Individual's responsible for the accounting and reporting functions for the Charter have not received training in preparing government financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No. 34 and subsequent pronouncements.

Auditor's Recommendation: We recommend the Charter's accounting management receive the training relating to the preparation of the Charter's financial statements in accordance with generally accepted accounting principles. This would give the individuals responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principles to the financial statements.

Management's Response: The school has hired an additional Business Manager as of December 2008. She has a Bachelor's Degree in Accounting, a Master's in Business Administration, and a level two School Business Official's license. She completed GASB trainings through NMASBO in September 2004 and February 2005, as well as a 16 hour GASB from A-Z training in June 2005. She will look to update her GASB training this fiscal year.

FS 08-114 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

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Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The school is just finishing the check stock without the void statement printed on it. The new order of stock does have this printed on the checks.

FS 08-117 Bank Reconciliations

Condition: During our audit we noted that bank reconciliations did not have evidence that they were properly reviewed.

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

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

Cause: The Business manager does not sign off that he reviews. The school failed to obtain all of the bank statement.

Auditor's Recommendation: We recommend the business manager initial or sign bank reconciliations once they have been properly reviewed.

Management's Response: Bank reconciliations will be done reviewed and signed by the Business Manager and the Principal at the monthly finance meeting.

FS 09-157 Human Resource Documentation

Condition: During test work of internal controls for payroll, we noted one (1) instance out of twenty (18) where an I-9 was not kept on file and one instance where the I-9 was not completely filled out.

Criteria: NMAC 6.20.2.18 states the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in

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accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The District is in a violation of NMAC 6.20.2.18 and the Immigration Reform and Control Act of 1986. Other possible effects: if document was misplaced there is a risk of unauthorized personnel viewing sensitive information or possible hiring of illegal personnel. This would result in IRS penalties and/or fines.

Cause: The School was not able to provide proper documentation resulting from possible loss of document and/or failure to complete document.

Auditor's Recommendation: We recommend that the School follow the corrective action plan set forth in the Immigration Reform and control Act of 1986 and request that the employee complete section 1 of Form I-9 immediately and submit documentation as required in Section 2. The new form should be dated when completed- never post dated. When an employee does not provide acceptable documentation, the employer must terminate employment or risk being subject to penalties for "knowingly" continuing to employ an unauthorized worker if the individual is not in fact authorized to work.

Management's Response: These two items were corrected when found during the audit field work. There is now a new employee checklist to ensure that this documentation isn't missed for future employees.

FS 09-158 Internal Control Structure

Condition: During our fieldwork we noted the following:

- 1 of the 4 credit card payments tested did not have supporting documentation for the expense
- We discovered that a credit card was utilized by the School during the fiscal year.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded property to permit the preparation of general purpose financial statements in accordance with GAAP. In addition, Laws of 2007, Regular Session, Chapter 28, Section 3, Subsection L states, "Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by Section 6-5-9(I) NMSA 1978."

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Effect: This led to a violation of NMAC 6.20.2.11. Supporting documentation is vital to ensuring the School expends funds on appropriate expenditures to avoid possible fraudulent activity or misappropriation of assets. This gives the cardholder direct access to public funds with the possibility of incurring unauthorized interest charges, which negates cash controls and is not good accounting practice.

Cause: The administration of the School set up a credit card for use in general operation. In addition, the School did not keep the supporting documentation available for the audit.

Auditor's Recommendation: All supporting documentation should be kept available for every expense incurred.

Management's Response: The credit cards for the school have been cancelled as of 6/30/09.

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FS 06-162 Budgetary Conditions

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

Teacher Principal Training	
Direct Instruction	604

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

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

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

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

Management Response: BAR to adjust the correct function was submit in June but not approved until July (after the end of the fiscal year)

FS 07-165 Cash Receipting

Condition: During our test work we noted the following:

- \$135.15 was for lunch fees received from September 26, 2008 through September 29, 2008. These monies were not deposited until October 2, 2008.

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Criteria: 6.20.2.14 (C) NMAC states that all cash received shall be deposited into the bank within twenty four (24) hours or one banking day.

Effect: Funds to be recorded in the wrong period and were placed at risk of loss/misappropriation.

Cause: Checks are not being properly deposited within 24 hours by the business office.

Auditor Recommendation: Formal procedures should be put in place to handle checks when they are received so they will not be misplaced in the future whether received through the mail or in person.

Management Response: Lunch Fees collected on a daily basis do not necessarily justify the cost of sending an employee to make small deposits and were therefore collected for the week and then deposited; however, in the future all money collected will be deposited within 24 hours of receipt.

FS 07-166 Inaccurate Bank Reconciliations

Condition: During our audit we noted the following that reconciling items were being posted into the incorrect bank reconciliation.

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

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

Cause: Reconciling items are being placed on the incorrect bank reconciliation.

Auditor's Recommendation: We recommend the school ensure that transactions are posted against the correct bank account in order to have correct book balances.

Management's Response: No amounts were being posted to the incorrect account. Payroll transfers were being made from Operational into the Payroll account. The payroll account has been closed and all payroll is now coming directly out of the operational account.

Auditor's Response: During the exit conference, the Business Manager indicated that she did not realize that the incorrect items were being posted to the wrong reconciliation even through they were correct in the accounting software. The Business Manager also indicated that the payroll account has been closed as noted in the response above.

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FS 08-121 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's response: Our accounting software is now set up to automatically add that to checks as they print out.

FS 08-122 Internal Control Structure

Condition: During our test work we noted the following:

- We noted a payment for travel was incorrectly posted into the general supplies and materials account. Total of \$155.52.
- We noted a payment for a conference fee was posted into the travel and per diem account. Total of \$267.50.
- We noted a travel reimbursement request was not properly approved.

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

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

Cause: Coding is not being checked when the Purchase Order is entered by the Business Manager.

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

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Management's Response: As for the travel amounts posted to the incorrect amount, all travel requests will go directly to the business manager for proper account coding.

FS 08-125 Journal Entries

Condition: During our testing of journal entries, we noted there is no evidence that journal entries are being reviewed and approved.

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

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

Cause: The finance committee is currently reviewing journal entries; however, they do not have minutes or written approvals to show they are reviewing journal entries regularly.

Auditor's Recommendation: We recommend school carefully check journal entries before and after posting to make sure there are not incorrect or inappropriate journal entries posted in the general ledger. We also recommend a formal review process be adopted for journal entries.

Management's Response: Journal Entries have always been reviewed by our Finance Committee on a monthly basis. They will now be signed by our Treasurer.

FS 08-128 Budget Adjustment Requests (BAR)

Condition: During our audit we noted school completed a bar for the entire grant award amount instead of the adjusted amount. The original amount of the award had already been adjusted. The current balance on the budget is twice what it should be.

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

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

Cause: The request to void the original bar was not completed by the Business Manager.

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

Management's Response: The first BAR should have been voided in the system. PED approved both BARs, but we only spend the actual awarded amount – nothing was overspent.

FS 09-159 Payroll Lack of Supporting Documentation

Condition: During test work we noted substitutes selected for test work did not have pay rate verification on file. We could not verify gross pay.

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 pay deduction authorizations, pay posting change notices, Educational Retirement Act plan application, and direct deposit authorizations.

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

Cause: The school does not require contracts for substitutes.

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

Management's Response: The pay rates were recorded in our accounting system, which was verifiable. Under the advice of our attorney, we did not create contracts for non tenured employees/substitutes. That has been corrected and all employees/substitutes are given contracts.

FS 09-160 Purchase Orders

Condition: During our testwork we noted two out of three transactions in the amounts of \$155.52 and \$3,000 where the Purchase Order was created after the invoice date and after the date of service.

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

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

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

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

Management's Response: A PO and/or a contract will be created prior to making purchases or hiring someone for contracted services.

FS 09-161 Travel & Per Diem

Condition: During our testwork of Travel & Per Diem we noted the following:

- We noted the principal approved her own purchase order to obtain the \$215 per day per diem rate. Since the principal is considered an agency head, the governing board should have approved the per diem rate for this transaction. We noted per diem should have been paid at the out of town rate of \$115 as there was no evidence to support the \$215 paid.
- We noted partial day per diem was not considered with regard to the travel paid on this trip. We recalculated and noted an overpayment of \$385.10.

Criteria: Per 10-8-4 NMSA 1978 if the governing board finds that a per diem allowance of one hundred fifteen dollars is inadequate for out of state travel to a geographical area, the governing board may authorize per diem not to exceed two hundred fifteen dollars for out of state travel to that geographical area. The governing board or agency head may authorize per diem not to exceed two hundred fifteen dollars for out-of-state travel to that geographical area; provided that the governing board may authorize per diem for travel to a locality inside or outside the U.S. for a public officer or employee who is reimbursed from federal funds in accordance with the rate allowed by the federal government for travel to that locality.

Effect: The lead to unauthorized transactions and a violation of 10-8-4 NMSA 1978.

Cause: Partial per diem was not taken into consideration when paying per diem.

Auditor's Recommendation: We recommend that school follow state travel and Per Diem regulations and that the school use the federal rate for Per Diem for distributions from federal funds.

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Management's Response: The principal's travel will now be approved by the GC, however, the principal was not overpaid on the per diem. Her travel was to Denver - \$115 does not cover the meals and hotel cost on a daily basis in Denver.

FS 09-162 Background Checks

Condition: During our review of payroll, one out of three employees background check was not received timely. We noted the background check was not obtained until after services were performed by the substitute. Per charter, background check is required for initial certification of PAPA employee.

Criteria: According to 22-10.3.3 NMSA 1978 policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

Effect: The School has a potential for lawsuits as it is not protecting itself by performing background checks required by state statute.

Cause: There is not an established policy in place within the school that requires personnel files to be reviewed for background checks.

Auditor's Recommendation: We recommend the School review their policies and procedures manual regarding background checks and insure that each employee has been given a background check before being hired by the school.

Management's Response: Background checks will be required prior to employment at PAPA per our charter.

Ralph J. Bunche Academy

FS 07-170 Payroll Transactions

Condition: During our payroll testwork we noted the following exceptions:

- We noted that two of three tested did not have I-9s on file. We also noted the I-9 that was available was not correctly completed.

Criteria: NMAC 6.20.2.18 states that School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: Due to possible errors in record keeping, supporting documentation may not be

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properly completed or on file.

Cause: The school does not have an individual to maintain personnel files.

Auditor's Recommendation: We recommend that the School review all personnel files and ensure that all required documentation is filed and all payroll deductions are withheld at correct rates.

Management's Response: The school has implemented new procedures to maintain all employee records, including I-9s.

FS 08-129 Lack of Authority Signatory on Payroll Registers

Condition: During our review of payroll, we noted out of all 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.

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

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

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

Management's Response: All payroll registers were submitted via e-mail to the Principal for review prior to final submission of payroll in the APTA financial system. New procedures have been implemented which will enhance the control.

FS 08-130 Inadequate Segregation of Duties in Receipting Process

Condition: The secretary at the schools duties include receiving the mail or receiving the cash, preparing the deposits, and taking deposits to bank. The school does not have a written policy for cash receipts for the snack bar or fund raisers.

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

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

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

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

Management's Response: A written policy will be submitted for approval by the governing council. The school had minimal cash receipts during the year under audit.

FS 08-132 Stale Dated Checks

Condition: During cash test work, we found check that they had \$9,114.13 in 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 on year after it is written.

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

Cause: Management has not monitored outstanding checks.

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

Management's Response: A review of outstanding checks is being conducted. As part of this review is a review of the escheat statutory requirements of the New Mexico statutes. The school understands its cash position and has placed requests with the vendors to who the checks have been paid to.

FS 08-133 ERB, 941, and RHC Contributions

Condition: During field work, we noted the ERB payment for June 30, 2009 (\$4,692.39) was not paid until July 18, 2009. We noted the 941 payment for the fourth quarter of 2009 (\$4,869.00) was not paid until August 20, 2009. We noted the RHC payment for August 31, 2008 (\$805.53) was not paid until September 15, 2008.

Criteria: Monthly contributions to the Educational Retirement Board (ERB) are required to be remitted no later than the 15th of the following month. Quarterly 941 payments are required to be remitted 30 days after the quarter end. Monthly Retiree Healthcare

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Contribution (RHC) payments are required to be remitted no later than 10th of the following month.

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

Cause: The school failed to make the ERB, 941, and RHC contributions timely due to the change in business managers.

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

Management's response: This occurred during the transition period between business managers. The payments were paid in August and all amounts due are current.

FS 08-134 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The school received this finding during the exit conference last year. However, because of the timing of the exit conference the school could not comply for the full year. The financial management software has been changed to add the wording.

FS 08-135 Pre-Numbered Receipts

Condition: During our audit, we noted that cash receipts are not pre-numbered.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

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Effect: This resulted in a violation of NM AC 6.20.2.11 (b).

Cause: School also failed to give out pre-numbered receipts for cash received.

Auditor's Recommendation: We recommend school order pre-numbered cash receipts.

Management's Response: The school will use pre-numbered cash receipts.

FS 08-136 Budgetary Conditions

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

Instructional Materials	
Direct Instruction	\$ 5,303
Food Services	
Food	\$20,817
Private Dir Grant	
Direct Instruction	\$2,735
Support Services	\$1,307

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

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

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

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

Management's Response: During the transition between business managers the BARs were not submitted. The reviews of budgets are being regularly conducted with the Principal.

FS 08-137 Timely Deposits

Condition: During our test work, we noted that the cash receipts are not pre-numbered, therefore, we could not determine if they were deposited within 24 hours.

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

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

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

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

Management's Response: The school deposits cash when the amount exceeds \$25. The school has implemented cash receipting procedures which will ensure deposits are made within 24 hours of receipt.

FS 08-138 Payroll Disbursements-Signature Authority

Condition: During our test work we noted only one person signed a payroll check when 2 are required.

Criteria: Per NMAC 6.20.2.14 all bank accounts shall be reconciled on a monthly basis. The bank statement, deposit slips, and cancelled checks shall be made available to the district's auditor during the annual audit. Additionally, per the school's policies, all checks must have dual signatures.

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

Cause: There is not an established policy in place that allows for the review of signature authority on cash disbursements.

Auditor's Recommendation: We recommend that policies and procedures be established that designate a person to review signature authority on all disbursements issued.

Management's Response: School policies required two signatures on all checks. New procedures have been implemented which require one signature for checks \$1,000 or less and two signatures for amounts over \$1,000. All bank accounts are reconciled monthly with cancelled check copies provided on CD. The one signature on the check was an error.

FS 09-163 Minutes

Condition: We noted the May 12, 2009 minutes were not documented.

Criteria: Chapter 10, Article 15 NMSA 1978 states that "the board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall

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include at a minimum the date, time, and place of the meeting, the names of board members in attendance and those absent. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present.

Effect: There could be issues that were discussed in the meeting that could affect the outcome of the audit.

Cause: The Secretary was absent for this meeting.

Auditor's Recommendation: We recommend the school follow the open meetings act Chapter 10, Article 15 NMSA 1978 and have minutes drafted within ten working days after the meeting and approved at the next meeting.

Management's Response: The school has implemented procedures to ensure compliance with the open meetings act and the documentation of minutes.

FS 09-164 Internal Control Structure

Condition: During our fieldwork we noted the following:

- We could not trace an employee pay check to the General Ledger
- We noted that a cash receipt for fees was posted to the wrong year. Should have been posted to FY 2008. Total amount of receipt was \$368.84.
- We noted that a cash disbursement was posted to the wrong account.
- Rent was being posted to other services instead of rent expense.
- School could not locate contract for contractor. We could not verify the total being paid.

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

Effect: The financial statements could be misleading.

Cause: Staff does not appear to have appropriate training regarding the chart of accounts.

Auditor's Recommendation: We recommend accounts be reviewed before they are posted to the General Ledger.

Management's Response: The school has implemented a number of changes which enhance the internal control structure. In addition, reviews and training of business management staff is occurring to ensure the NM Chart of Accounts is used correctly.

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FS 09-165 Cash disbursements

Condition: We noted that invoices are not being reviewed by the principal before the checks are being made. We noted that the principal is not required to sign a check as the checks can be signed by the business manager and business manager assistant.

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

Effect: This could result in inadequate authorization of expenditures.

Cause: The check was posted, but the PO was not completed until the bank reconciliations were completed.

Auditor's Recommendation: We recommend that the school create policies and procedures for purchase items at stores and follow them.

Management's Response: All invoices to be paid are reviewed and signed off by the Principal. New procedures and check signing authority policies and procedures have been implemented by the school which will strengthen the controls.

FS 09-166 Gross Pay Does not Agree To Contract Amount

Condition: During our test work, we noted that 1 of our 3 items tested we could not agree the pay rate to the stated contract amount.

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

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

Cause: Management made a mistake entering the pay rate into AptaFund.

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: The school issues contracts for employees for core employment issues. However, grants received by the school allow the school to pay additional amounts for additional hours worked beyond the duty day. Time sheets are used to document the additional payments made under these programs.

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Auditor's Response: The school should document any additional stipends given to employees in order to agree to the gross amount paid.

FS 09-167 Compensated Absences

Condition: The school does not keep track of compensated absences as outlined in the employee handbook.

Criteria: Sound accounting practices include the documentation of all policies and procedures.

Effect: There is an increased likelihood that current and prospective employees may not be fully aware of the school's policies and procedures for compensated absences.

Cause: The school only keeps track of leave taken and not the beginning or ending balances.

Auditor's Recommendation: The school should ensure that all accrued leave is properly accounted for to ensure that employees are getting benefits that are owed to them.

Management's Response: The school will review its policies and procedures to ensure that all leave balances are correct.

FS 09-168 Bank Reconciliations

Condition: During our test of the cash balance we noted that the bank reconciliation was not performed timely, did not tie to the general ledger, and there was no evidence that bank reconciliations are being reviewed.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

Effect: The School has a potential for fraudulent activity within its cash accounts.

Cause: This was due to the change in business managers at year-end.

Auditor's Recommendation: We recommend the School require that bank reconciliations be performed timely and reviewed for accuracy.

Management's Response: Bank reconciliations are completed monthly. In addition, new procedures for reporting require monthly reconciliations be provided to the governing council.

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FS 09-169 BAR

Condition: During our test of the BARs we noted the following:

- School did not budget the prior year instructional material carryover
- School did not perform a BAR to reduce the SEG allocation.
- They also did not properly carry over General Fund balance. We noted that the prior year carryover balance was \$145,402 and the school budgeted \$232,179 for a difference of \$86,777.
- School did not budget for USDA funds received.
- We noted that approval of BARs was not being completed by the Board during meetings.

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

Effect: PED does not have the correct reporting.

Cause: Per BM, they did not update their carryover as they did not receive final drafts in time.

Auditor's Recommendation: We recommend that any changes for the cash carryover needs to be agreed to the audited financial statements and that BARs are accurately completed and sent.

Management's Response: The school received only draft financial statements in November 2008. The final financial statements issued for FY2008 were not released until May 2009. The BARs were to be entered however; change in business manager caused the non submittal. Procedures will be implemented to ensure all budgets and BARs are timely entered.

FS 09-170 Journal Entries

Condition: During our testwork over the client's journal entries, we noted a significant number of journal entries used to reverse entries to the client's bank reconciliation module. We also noted that documentation could not be provided and there was no evidence that Journal entries are being reviewed.

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

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

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Cause: Per discussion with Stacey Lagunas, the bank reconciliation module does not interface with the client's general ledger. Thus, the bank module does not include all of the items included in the general ledger, and vice versa. In an effort to correct the un-reconciled amounts, Stacey posted several journal entries that were eventually reversed.

Auditor's Recommendation: Journal entries should be reviewed and approved before posting to the general ledger to ensure entries are accurate, complete, and have a clear business purpose.

Management's Response: Procedures have been put in place to minimize the number of journal entries made. The journal entries made through the bank reconciliation module were done during the audited year to switch the bank reconciliation process from an off line approach to an internal APTA process.

FS 09-171 Disbursements-Signature Authority

Condition: During our test work we could not verify signatory authority on checks as the school did not retain copies of cancelled checks.

Criteria: Per NMAC 6.20.2.14 all bank accounts shall be reconciled on a monthly basis. The bank statement, deposit slips, and cancelled checks shall be made available to the district's auditor during the annual audit.

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

Cause: There is not an established policy in place that allows for the review of signature authority on cash disbursements.

Auditor's Recommendation: We recommend that policies and procedures be established that designate a person to review signature authority on all disbursements issued.

Management's Response: The school can access canceled checks via on-line banking or through the CD provided the school with copies of the canceled checks.

FS 09-172 PED Cash Reports/Budget Reports

Condition: We noted the cash report and the budget to actual reports were not submitted to the state by the July 31, 2009 deadline. We also could not agree the PED report to the General Ledger.

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

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

Effect: The school is in violation of NMAC 6.20.2.9.

Cause: The school changed business managers at the end of the fiscal year. Reports could not be submitted until bank reconciliations were completed.

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

Management's Response: The school transitioned between business managers at the end of the year. The interim business manager did not file the report. The report was filed in August. Procedures will be implemented to ensure reports are filed.

FS 09-173 Purchase Orders

Condition: During our testwork we noted the following:

- We noted that the purchase order was completed on the same date of the check date for \$273.11 however, after the date the items were purchased.

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

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

Cause: Purchase orders are being created after invoices are being received and not before.

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

Management's Response: A review of the check date and purchase order date show that both were issued on July 29, 2008. The School reimbursed an employee for various items for the scheduled move to the current location.

Auditor's Response: We noted while the purchase order was dated the same date of the check, the items purchased were before that date. We noted purchases were made from 07/22/2008-07/25/2008.

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FS 09-174 Contracts

Condition: The subcontractor assigned by REDW was not properly approved by the school.

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

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

Cause: Per the school they did not approve the accounting firm to assign the services.

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

Management's Response: The school attempted to follow all proper policies and procedures.

FS 09-175 Fixed Asset Inventory Count

Condition: The school did not perform a physical inventory count. We noted that asset is the phone system. School should be tracking the number of phones they have.

Criteria: Per NMAC 2.20.1.16 Annual Inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of five thousand dollars (\$5,000) or more, under the control of the governing authority.

Effect: The School does not have internal controls implemented for safeguarding them and establishing accountability for their custody and use.

Cause: The school does not think it is necessary since they have one fixed asset.

Auditors' Recommendations: The School should implement a policy for an Annual Inventory of fixed assets to take place and keep an updated fixed asset listing.

Management's Response: The asset is the phone system purchased and in use on a daily basis. The school will implement a policy for an Annual Inventory of fixed assets.

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Robert F. Kennedy High School

FS 06-178 – Budgetary Conditions

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

Instructional Materials	
Instruction	\$ 1,309

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

Effect: As a result, the School is in non-compliance with New Mexico state law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to cover the over-expenditures.

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

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

Management's Response: The School does a review of budgets close to year end in order to make any BAR's necessary. Unfortunately there was not a governance council meeting in June, so the BAR needed was not made. In the future the school will ensure BAR's are made timely.

FS 09-176 Pre-Numbered Receipts

Condition: Cash received on School premises (cash receipts) require a pre-numbered receipt produced and processed. During our audit procedures, we tested twenty cash receipts, none of which were accompanied with pre-numbered receipts.

Criteria: NMAC 6.20.2 indicates that a "school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book".

Effect: In addition to the School being in non-compliance with Statute, proper documentation of cash receipts is an essential internal control which mitigates the possibility of possible fraudulent activity as well as the possibility of errors.

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Cause: The School did not utilize the pre-numbered receipt booklets for all cash received.

Auditor's Recommendation: We recommend the School utilize and implement the policies and procedures set forth in the State Statute and internally to ensure each cash receipt is issued a pre-numbered receipt.

Management's Response: The school has relied on the financial system software to meet the requirement of pre-numbered receipts since there has historically been a relatively small amount on cash and checks received. With the increase in activity due to the clinic, lunch program and various activity fund related activities the school is now issuing factory pre-numbered receipts for all such transactions.

School for Integrated Academics & Technology Academy

FS 09-177 Disbursement

Condition: During our test work of cash disbursements, we noted that a purchase order for \$37.95 was completed and approved after the order was made to the vendor.

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

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.

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

Auditor's Recommendation: We recommend that policies and procedures be established that outline 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 school purchased a SIATech-branded *Employee of the Year* award from the SIATech national office in Vista, CA. Our Purchase Order was generated on May 21, which is the date that electronic notification was received from the Vista, CA office informing us that the order would be placed. When we received an invoice, it was dated May 7, which was two weeks earlier than the notification to us and date of our Purchase Order. The Vista, CA Purchasing Department failed to notify us in a timely manner that an order was placed, which resulted in the audit finding. This is a one-time occurrence, and the school Business Office will no longer honor any invoice for payment that precedes the date of a Purchase Order.

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South Valley Academy

FS 07-176 Bank Reconciliations

Condition: Bank reconciliations were not completed timely for the July 2008-February 2009. This is due to receipts/disbursements not being posted timely. We noted bank reconciliations were reviewed in April 2009 when completed.

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

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

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

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

Management's Response: Bank reconciliations had not been done on time due to change in business manager. Since then, bank reconciliations are done timely and reviewed by the principal.

FS 08-143 Procurement Code

Condition: During our audit, we noted proposals received from a Request for Proposal (RFP) were not properly date stamped when received to show they were received timely. We also noted no evidence that proposal received was properly sealed.

Criteria: Per NMAC 1.4.1.22 upon its receipt, each bid and modification shall be time-stamped but not opened and shall be stored in a secure place until the time and date set for bid opening.

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

Cause: Proposals are not being properly date stamped when received.

Auditor's Recommendation: We recommend that all proposals be date stamped when received in order to ensure that all proposals are received by the date required in the RFP and we recommend that all supporting documentation related to bids be kept where it can be easily located.

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Management's Response: Business manager has knowledge of procurement process and will ensure that it is followed accordingly. All documentation will be date stamped and stored.

FS 08-144 Journal Entries

Condition: During our journal entry test work, we noted there were two instances where adjusting journal entries were not properly approved.

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.

Effect: This lead to a violation of NMAC 6.20.2.11.

Cause: These were never approved by the principal.

Auditor's Recommendation: The school must insure that all non-standard journal entries are reviewed and approved properly.

Management's Response: Since February 2009, new business manager has created a sign off template that has an explanation. A signature is required by the business manager and principal.

FS 08-145 PED Reports

Condition: The School's cash report to the Public Education Department did not match the General Ledger for the first and second quarter.

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

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

Cause: Bank reconciliations were not completed timely and several adjustments and entries were made during this process.

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: Since reconciliations are now done timely, the business manager can ensure that the quarterly reports are accurate.

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FS 09-178 Purchase Orders

Condition: During our disbursement testwork, we noted monies spent exceeded the amount of the Purchase Order. This was due to an accounting error when the purchase order was opened in the current year. The purchase order should have been re-opened for \$456,175 and was actually re-opened for \$409,871.

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

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

Cause: The purchase order re-opened in the current fiscal year was not for the correct amount.

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

Management's Response: Business manager will ensure that invoices do not exceed the purchase orders. They have set up an alert in AptaFund Accounting Software to warn if the invoice exceeds the purchase order.

FS 09-179 40 Day Counts

Condition: The school failed to include a student in the 120 day count.

Criteria: Per 22-8-13 NMSA 1978 each state-chartered school shall keep accurate records concerning membership in the public school. The superintendent of each school shall maintain reports for each twenty-date reporting period.

Effect: The school will not receive funding for this student.

Cause: There was a difference between the schools reporting and APS reporting.

Auditor's Recommendation: The school should establish policies and procedures to ensure that all students are properly counted.

Management's Response: They have hired a new technology coordinator to streamline the process and ensure that all of their reporting is accurate.

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FS 09-180 ERA and RHC Contributions

Condition: During field work, we noted on RHC that the payment for May 31, 2009 (\$4,342.83) was not filed until June 15, 2009. We also noted on ERB that the payment for April 30, 2009 (\$24,525.05) was not made until May 18, 2009.

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

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

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

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

Management's Response: They will ensure that these liabilities are paid by the 10th of the month.

FS 09-181 Disposition of Fixed Assets

Condition: During our audit, we noted that the school failed to obtain approval by from the state to approve the disposal of fixed assets.

Criteria: Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code govern the disposition of fixed assets.

Effect: The school is not in compliance with Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code related to the disposal of fixed assets. Further, there was no certification that the hard drives of any of the donated computers were cleaned before disposal.

Cause: The school failed to complete paperwork for the state to approve disposals.

Auditor's Recommendation: We recommend that policies and procedures be established to ensure that all disposals are properly approved by the state.

Management's Response: There are policies and procedures in place that require proper approval. This was the first year that an inventory count had been performed. Now that the inventory count is up to date, we will ensure that the proper procedure for disposal of assets is performed.

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FS 09-182 Budget Adjustment Requests (BAR)

Condition: During our audit we noted school could not locate documentation/calculate final budget amounts submitted for Special Capital Outlay.

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

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

Cause: The school changed business managers during the year leaving current business manager unaware of what funds were remaining.

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

Management's Response: We will ensure that all supporting documentation is attached with BARs and all information is properly reconciled.

FS 09-183 Internal Control Structure

Condition: During our test work we noted the following:

- Documentation could not be located for carryover balance of \$42,918 in the Private Direct Grants. We could not determine what the funds were or whether they are in the current fund.
- School could not reconcile capital outlay from prior year.

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

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

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Cause: Due to several changes in business managers, the capital outlay account has never been reconciled and documentations regarding the carryover were misplaced.

Auditor's Recommendation: We recommend that the school keep all documentation regarding prior year carryover and that capital outlay be reconciled regularly due to the amount of funds that is received by the school.

Management's Response: In order to keep all information together for each grant, we have now created folders for each grant that contain all supporting documentation and will now be organized by year in order to avoid this problem in the future.

South Valley Academy Foundation

FS 08-148 Inadequate Segregation of Duties in the Receipting and Disbursement Process

Condition: During our review of the cash receipts process and disbursement process, we noted that the only one person is handling all money and decisions.

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

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

Cause: No staff. Only one person is handling all money decisions.

Auditor's Recommendation: We recommend the foundation set up adequate segregations of duties.

Management's Response: CEI does not have any employees, making the segregation difficult. Almost all revenue including lease payments will now be sent directly to the bank from the school or funder. CEI will work on better segregation.

Southwest Primary Learning Center

FS 09-184 Internal Control Structure

Condition: During our test work we noted the following:

- We noted that school expensed 2009-2010 expenses against a 2008-2009 grant award. Amount has been properly re-classed as a prepaid expense on financial statements.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable

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assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

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

Cause: The school did not realize what these funds were related to.

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

Management's Response: The School has properly implemented internal controls to safe-guard loss from unauthorized use or disposition. The grant funds were used for what they were intended. The Public Education Department has indicated that in these cases the funds are to be treated as a temporary cash transfer. The recording of the transaction is allowable under State Audit Rule 2.2.2.8H(4)(c) which specifically indicates "Converting cash-based financial statements to accrual-based financial statements is allowable, as long as management is in the position to make informed judgments to review, approve, and take responsibility for the appropriateness of the conversion."

FS 09-185 Disbursement

Condition: During our test work of cash disbursements, we noted that a purchase order for \$1,294.61 was completed and approved after amounts were charged on the credit card statement dated 03/17/2009-04/02/2009.

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

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.

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

Auditor's Recommendation: We recommend that policies and procedures be established that outline 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 School will continue to process expenditures in compliance with State provisions. The School understands the requirements of NMAC 6.20.2.17 and has and intends to follow the rule. The School will continue to follow the established procedures related to the proper purchase order internal controls. As indicated

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in prior correspondence with the auditor, one of the purchases in this case was related to an emergency procurement that did not require a purchase order.

FS 09-186 Procurement Code

Condition: During the year ended June 30, 2009 we noted that 1 item did not go out for bid. Total amount paid to vendor was \$129,260.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School was unclear as to a specific service and the procurement code's requirements.

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

Management's Response: The School made a purchase with the understanding that this was the sole provider of support services for an earlier purchase which had been processed through the proper procurement procedures. The School already has procedures which follow the State Procurement Code.

Southwest Secondary Learning Center

FS 09- 187 Pre-Numbered Receipts not Present

Condition: Transactions lack proper documentation. All transactions require a pre-numbered receipt to be made out with every receipt that comes into the school. During our walkthrough of three transactions we discovered that not all had pre-numbered receipts.

Criteria: It is good cash receipts management and accounting practice to follow the institutions policies and procedures. Per NMAC 6.20.2.14 (b) the school shall issue a factory pre-numbered receipt for all money received. All transactions require a pre-numbered receipt when money is being received.

Effect: Receipts can be improperly posted, stolen, misplaced and there would be no documentation that the payment was ever received by the school. Also it is sometimes hard to prove if the receipt was deposited within 24 hours but in this case the stamp helped to do this.

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Cause: Due to lack of understanding by the administrators, pre-numbered receipts were not being issued for checks received in the mail.

Auditor's Recommendation: We recommend that the school follow its own policies and procedures and state auditor rule by requiring proper documentation for all transactions. We also recommend that the receipt or a copy of the receipt be attached to the backup documentation.

Management's Response: The School has a pre-numbered receipting system in place related to on-site student activity items. In this case, we are invoicing the students/parents for flight School expenses. When we receive the payment via mail there is not a receipt; the invoice acts as the student's receipt. It is the School's understanding that pre-numbered receipting would be a control in place for items receipted on-site, not via the mail. All items received via mail are electronically logged into the system when received by someone other than the individual opening the mail in order to maintain segregation of duties. The School has always maintained controls to ensure all receipts received on-site will be issued pre-numbered receipts. The school will expand this policy to include items received via the US Mail.

FS 09-188 Travel & Per Diem

Condition: Southwest Secondary is on an actual reimbursement policy for travel and per diem. Of the three items tested, one had per diem amounts in excess of State limits.

Criteria: NMAC 6.2.20.2.19 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. This includes a maximum per diem of \$45 per day for out of state travel.

Effect: The amount of actual reimbursement exceeded the state allowed \$45 of actual reimbursement.

Cause: Management had a different understanding of what was allowable and acceptable under the state regulations.

Auditor's Recommendation: We recommend that Southwest secondary follow state policies and procedures. We also recommend that someone be responsible for reviewing the rules and informing staff and administration of what is acceptable under the state guidelines.

Management's Response: The Per Diem and Mileage Act indicates that per diem rates for out-of-State travel shall not exceed \$45 per day per person. The Per Diem and Mileage Act does not stipulate that the costs are required to be absorbed by each individual. In this case, total meal expenditures reimbursed for the trip was \$1,077.19 for 5 individuals over a 6 day trip. As such, total allowable reimbursement under State Statute would be \$1,350.

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The School believes that the expenditure was in compliance with the intent of the State Statutes. In this case the School saved the taxpayers \$272.81 over what would have been paid if each individual would have been given \$45 per day. The School has and will continue to implement policies and procedures to maintain compliance with state, federal and internal compliance requirements. Furthermore, the School will continue to honor the intent of State law, and safeguard taxpayer funds at every instance. The school maintains that it has complied with the intent of State law.

FS 09-189 Procurement Code

Condition: During the year ended June 30, 2009 we noted that 1 item did not go out for bid. Total amount paid to vendor was \$274,570. We also noted one purchase over \$10K where the school did not obtain 3 bids.

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

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

Cause: School was unclear as to a specific service and the procurement code's requirements.

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

Management's Response: The school will implement procedures in which it ensures all purchases in excess of the Statute established criteria follow the procurement policy. In this instance, the School made a purchase with the understanding that this was the sole provider of support services for an earlier purchase which had been processed through the proper procurement procedures. The School will implement the auditor's recommendations.

FS 09-190 Disbursement

Condition: During our test work of cash disbursements, we noted that 7 purchase orders for a total of \$318,003 were completed and approved after the invoices were received.

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

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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.

Cause: Purchase orders were entered into APTA once the invoices were received by the client. They were than approved.

Auditor's Recommendation: We recommend that policies and procedures be established that outline 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 School will continue to process expenditures in compliance with State law and administrative code. The School understands the requirements of NMAC 6.20.2.17 and has and intends to follow the rule. The School will continue to implement procedures related to the proper purchase order internal controls. Emergency and recurring expenditures do not require purchase orders; however, for expenditures which do require them, the School will implement procedures to ensure the purchase orders are processed prior to a disbursement being made.

FS 09-191 Cell Phones

Condition: During our audit we noted the school pays the full amount on the administrator's cell phones.

Criteria: Section 280F (d)(4)(A)(v) provides that "listed property" includes any cellular telephone. Per IRS bulletin 2009-23, an employee must include in gross income the amount, if any, paid for the benefit or on behalf of the employee.

Effect: The school is in violation of the IRS rules.

Cause: Since this school has more revenue, they pay all the cell phones from this school. The school did not know that the IRS required that these benefits be included in their gross income.

Auditor's Recommendation: We recommend the keep track of personal usage and properly allocate the expense between all three schools.

Management's Response: The School policy is to limit administrative burdens through the payment of cell phones of its administrators. Administrators are often required to work hours outside the school day for which cell phones are required, i.e. in a case in which an alarm goes off at the school on a weekend. The personal use of the cell phone is limited and is not abused as the cell phone hours are not exceeded. The School will formalize the cell phone usage policy to require reimbursement of personal phone calls.

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The Bataan Military Academy

07-183 Disbursement – Lack of Authorization

Condition: We noted during our test work that one disbursement did not have an invoice and two other supporting documentation could be located for two other disbursements.

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

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.

Cause: The School did not obtain proper approval for cash disbursements and did not maintain appropriate supporting documentation.

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 have been implemented to ensure compliance. However, during the transition documentation may have been misplaced. We will review procedures to ensure thorough documentation is maintained.

FS 07-184 Cash Receipts-Inadequate documentation

Condition: School does not issue pre-numbered receipts, therefore MA could not determine if amounts were deposited within 24 hours.

Criteria: All cash receipts are required to have supporting documentation. Per NMSA 6.20.2.14 requires that the school make all deposits 24 hours of receiving the money.

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

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

Auditor's Recommendation: We recommend that policies and procedures be implemented that tracks and maintains all items relating to cash receipts. We also recommend the school implements policies and procedures to ensure that all receipts are deposited within 24 hours.

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Management's Response: A pre-numbered receipt book will be purchased and emphasis will be placed on the 24 hour deposit requirements.

FS 08-152 Budgetary Conditions

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

Federal Charter School Grant	
Support Services	2,698

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

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

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

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

Management's Response: BARs are submitted to the governing council as needed. A review of policies and procedures will be completed to improve the process. BARs were submitted and approved by the governing council however; end of the year transition caused some of the BAR's not to be entered.

FS 08-154 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date." Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

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Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's response: The finding was noted last year. The school asked the financial software provider to include the language.

FS 08-155 Fixed Asset Inventory Count

Condition: The school performed a physical inventory of fixed assets at the end of the fiscal year but did not reconcile it to the general ledger.

Criteria: Per NMAC 2.20.1.16 Annual inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of the fixed assets consisting of those with historical cost of five thousand (\$5,000) or more, under the control of governing authority.

Effect: The school is noncompliant with NMAC 2.20.1.16 and internal controls implemented for safeguarding capital assets and establishing accountability for their custody and use.

Cause: The School's fixed assets policies and procedures do not include a reconciliation of the inventory to the fixed asset listing.

Auditor's Recommendation: The school should follow policy for the Annual Inventory of capital assets to take place and reconcile it to the capital asset listing.

Management's Response: A review of policies and procedures will be completed. The school did take an inventory of all equipment but did not tie it to last year's inventory.

FS 08-156 Policies and Procedures

Condition: The Charter School does not have policies and procedures in place for capital assets.

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

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

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

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Auditor's Recommendation: The School should develop policies and procedures for the capitalization of assets to ensure proper accounting for the school and other areas outlined in SBE-6 Regulation.

Management's Response: The school was relying on state statute as its policy but will draft a school policy.

FS 08-157 Gross Pay Does not Agree To Contract Amount

Condition: During our test work, we noted that two of three employees paid we could not agree the pay rate as one was missing a contract and the other did not have the amount stated on the contract.

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

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

Cause: The School is not following their policies and procedures as they relate to employee pay.

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: The school paid employees differentials and stipends in addition to the base contracts. We will work to improve documentation of the additional payment amounts.

FS 08-158 Lack of Signatory Authority on Payroll Registers

Condition: During our review of payroll, we noted out of all 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.

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

Cause: Emails approving payroll registers are not kept on file.

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

Management's Response: The payrolls were approved by school personnel other than the person preparing the payroll. This will be better documented.

FS 08-159 Inadequate Segregation of Duties in Receipting Process

Condition: The bookkeeper at the schools duties include receiving the mail or receiving the cash, preparing the deposits, and taking deposits to bank.

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

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

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

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

Management's Response: A review of the cash receipting processes will be completed to address the issues.

FS 08-160 Payroll-Lack of Supporting Documentation

Condition: During our test work we noted the following:

- 1 out of 3 did not have insurance forms on file, but was receiving benefits.
- 1 out of 3 employees did not have a signed contract on file.

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.

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

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

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

Management's Response: Policies and procedures will be reviewed to improve the maintenance of records.

FS 09-192 Procurement Code

Condition: During the year ended June 30, 2009 we noted that IT services did not go out for bid. Total amount paid to vendor was \$55,364. We also noted that the school did not go out to bid for books/supplies purchased from vendor. Total amount paid to vendor was \$76,357.

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

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

Cause: The school did not expect services/purchases to exceed the \$50,000 threshold.

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

Management's Response: The school will comply with procurement code requirements. Training will be held for key employees.

FS 09-193 Internal Control Structure

Condition: During our fieldwork we noted the following:

- that a contract for accounting services was assigned to another party without written approval.
- We noted that the AP aging report did not agree to the GL. Difference of \$4731.54.

Criteria: Per the signed agreement the responsibilities could not be assigned without prior written authorization from School.

Effect: The School is paying a vendor without prior approval and has not followed their signed agreement.

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Cause: The School was unaware they had to provide written approval before the responsibilities could be assigned to a 3rd party.

Auditor's Recommendation: We recommend that contracts be reviewed to ensure that they are properly followed

Management's Response: A review of the procedures will be conducted with changes made to improve the processes.

FS 09-194 Bank Reconciliations

Condition: During our test of the cash balance we noted that the bank reconciliation was not performed timely, did not tie to the general ledger, and there was no evidence that bank reconciliations are being reviewed. We also noted one item outstanding in the amount of \$4,652.57 that could not be determined whether it had cleared or is still outstanding.

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

Effect: The School has a potential for fraudulent activity within its cash accounts.

Cause: This was due to the change in business managers at year-end.

Auditor's Recommendation: We recommend the School require that bank reconciliations be performed timely and reviewed for accuracy.

Management's Response: Bank reconciliations were completed. The process will be better documented in future years.

FS 09-195 BAR

Condition: During our test of the BARs we noted that approval of BARs was not being completed by the Board during meetings.

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

Effect: PED does not have the correct reporting.

Cause: The School does not have policies requiring Board approval of BARs.

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Auditor's Recommendation: We recommend that the School implement a policy that ensures BARs are approved by the Board during meetings.

Management's Response: A policy will be developed for approval by the council.

FS 09-196 RHC/ERB Contributions

Condition: During our test work we noted the RHC report for August 31, 2008 (\$1,406.78) was noted submitted until October 6, 2008

We also noted that the ERB payment for June 30, 2009 (\$8,653.72) was not paid until July 21, 2009.

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

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

Cause: The School failed to make timely RHC and ERB payments.

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

Management's Response: The school submitted requests for reimbursement (RFR) to the NM PED for funds that took an excessive amount of time to be processed and paid, This caused a short-term cash flow shortage. The school paid the amounts once the state reimbursed the funds.

FS 09-197 ERB/941 Difference with General Ledger

Condition: During testwork we noted that ERB and 941 reports did not reconcile to the general ledger for the year ended June 30, 2009. ERB reports had a difference of \$6,879 and 941 reports had a difference of \$1,390.

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.

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

Cause: The School does not have policies and procedures in place to ensure ERB and 941 payments are periodically reconciled to the general ledger.

Auditor's Recommendation: The School must reconcile the general ledger to the ERB and 941 contributions to ensure the correct contributions are being submitted.

Management's Response: The ERB accounts and 941 contributions are reconciled and agree to the general ledger. We will better document this in the future.

FS 09-198 PED reports

Condition: We noted there were balances on the cash report submitted to PED that did not agree to the general ledger.

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

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

Cause: The school changed business managers at the end of the fiscal year. Reports could not be submitted until bank reconciliations were completed.

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

Management's Response: The PED reports were based on the general ledger at the time.

FS 09-199 Journal Entries

Condition: During our testwork over the client's journal entries, we noted that documentation could not be provided and there was no evidence that Journal entries are being reviewed.

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

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

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Cause: The School does not maintain appropriate documentation that would allow the reviewer to understand why the entry needs to be made.

Auditor's Recommendation: Journal entries should be reviewed and approved before posting to the general ledger to ensure entries are accurate, complete, and have a clear business purpose.

Management's Response: Journal entries were prepared and approved. We will better document the process.

FS 09-200 Stale Dated Transactions

Condition: The school had 1 item for a total of \$145.94 as of June 30, 2009 that was over one year old.

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

Effect: Cash balances are not accurately reflected.

Cause: School failed to void checks after one year.

Auditor's Recommendation: We recommend the school implement procedures to review the outstanding check listing for all bank accounts and track stale-dated transactions. If transactions on the outstanding check list are greater than one year old, we recommend these checks be voided.

Management's Response: The process will be implemented.

The Learning Community Charter School

FS 07-185 Internal Controls Over Non-Standard Journal Entries

Condition: During our audit, we noted that there is no formal review process over non-standard journal entries. We noted that the business manager prepares journal entries. We noted that the list that the business manager provides to the principal for review does not contain the descriptions of the several journal entries posted.

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

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

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Cause: The school does not have a policy for the review of journal entries.

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

Management's Response: The Business Manager will continue presenting and reviewing all journal entries with the principal, and have signatures on them prior to the audit.

FS 08-161 Bank Reconciliations

Condition: During our audit we noted that bank reconciliations for the year did not balance. All bank reconciliations for the year were redone after year end. We also noted the corrected bank reconciliations had not been reconciled.

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

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

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

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

Management's Response: We presented the 6-30-09 bank reconciliation to the auditor that indicated it was reconciled. The School will implement monthly and timely reconciliations for review by the principal and business manager.

FS 08-162 Fixed Asset Inventory

Condition: For the 2008/2009 year, the School did not perform an annual inventory of fixed assets. For audit test work the school relied on a prior year audit document for a fixed asset listing.

Criteria: Per NMAC 2.20.1.16 Annual Inventory, at the end of the fiscal year, each agency must conduct a physical inventory of its fixed assets consisting of those with a historical cost of five thousand dollars (\$5,000) or more, under the control of the governing authority.

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Effect: The School is noncompliant with NMAC 2.20.1.16 and does not have internal controls implemented for safeguarding them and establishing accountability for their custody and use.

Cause: The School was unaware of this requirement.

Auditor's Recommendation: The School should ensure a policy to conduct an annual inventory of fixed assets is implemented.

Management's Response: We will work with all staff to ensure that an annual inventory will be done for 2010, and ensure compliance with State Auditors Rule on Fixed Assets.

FS 08-163 Budgetary Conditions

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

General fund	
Support Services	170,363

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

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

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

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

Management's Response: The School will establish policies for budgetary review at year end, and make sure all adjustments are done in accordance to laws, and regulations.

FS 09-201 Checks Issued

Condition: During review of cancelled checks, we noted checks did not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date."

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Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: School is in violation of NMAC 6.20.2.14.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: This has been resolved and all checks currently state "VOID AFTER ONE YEAR".

FS 09-202 Cash Receipts

Condition: During our testwork we noted the following:

- We noted two out of three cash receipts tested were not deposited in the required 24 hours in the amount of \$680.00 and \$245.00.

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

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

Cause: The likely cause is forgetting to make the cash receipt when monies were received.

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

Management's Response: We will make sure deposits are made timely and within regulation. We will use other staff to make sure this stays in compliance.

FS 09-203 Internal Control Structure

Condition: During our test work we noted the following:

- We also noted a refund received was posted to revenue instead of the current year expense.
- Expenses for training and lodging were posted to other services and not professional development or travel and training accounts.
- We also noted cash receipt for IDEA B and Beginning Teacher Fund were incorrectly posted to Operational Fund
- We noted expenses of \$8828 were incorrectly posted to IDEA B Fund.

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- We noted that only three payments for the Dell Rent were properly located in rent expense for the year. We could not locate the other nine for a difference of \$2,680.

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

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

Cause: Coding is not being checked when the Purchase Order is entered by the Business Manager.

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

Management's Response: Periodic and regular reports will be provided to the principal to ensure compliance. The School will implement a process to include timely and regular reports that are in accordance to GAAP and PED Chart of Accounts.

FS 09-204 RHC, 941 & ERB Contributions

Condition: During our test work we noted the RHC report for September 30, 2008 (\$3,517.18) was not submitted until October 15, 2008. We noted on the 941 reports that the payment for June 30, 2009 (\$47,421) was not filed until August 17, 2009. We noted that the ERB report for July 31, 2008 (\$2,445.95) was not filed until August 25, 2009.

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

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

Effect: The school was in violation of RHC, ERB requirements and IRS standards.

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Cause: The school failed to make timely RHC and ERB contributions and 941 reports to the Internal Revenue Service.

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

Management's Response: The School experienced a business management transition, and as a result, the new business manager has corrected these reports. The School will implement an internal control system to ensure reports are being processed, and paid in a timely manner.

FS 09-205 Difference with General Ledger and ERB Contributions

Condition: During our test work we noted ERB reports did not reconcile to the general ledger for the year ended June 30, 2009. ERB reports had an irreconcilable difference of \$7,079.

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

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

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

Auditor's Recommendation: The School must reconcile the general ledger to the ERB contributions to ensure the correct contributions are being submitted.

Management's Response: We showed a smaller difference provided to the auditor on a spreadsheet derived from our ERB reports. Our difference was \$1,175. We will provide a copy of the general ledger to the principal along with the report to verify its accuracy for the future.

FS 09-206 Budget Adjustment Requests (BAR)

Condition: During our audit we noted the following:

- The school failed to perform a BAR to decrease IDEA B funds to adjust to grant award.
- The school requested a BAR to unrestricted cash for Beginning Teacher Mentoring. We noted the BAR should have been gone against revenue since this was a current year grant award.

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

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

Cause: The school failed to complete the necessary BARS.

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

Management's Response: These adjustments were not made due to the late notification of these funds. In the future we will make sure the principal and governing council are made aware of such concerns, and process BAR's more timely.

FS 09-207 PED Cash Reports/Budget Reports

Condition: The School's cash report to the Public Education Department did not agree to the General Ledger. We also noted that the actual amounts on the schools budget reports did not agree to the General Ledger.

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

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

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

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

Management's Response: There was a variance in this from prior year that the new business manager was trying to reconcile and find out what caused this. In our

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accounting software it was found that prior year numbers did not roll forward. We have since corrected this and will ensure that all reports tie to bank and general ledger.

FS 09-208 Untimely Reimbursement Requests

Condition: During our audit, we noted federal reimbursement requests were not being completed in a timely manner.

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

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

Cause: School failed to timely request reimbursements for grants.

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

Management's Response: We will make sure that reimbursement request are done at least quarterly and some monthly. The principal will have involvement with these.

FS 09-209 Disposition of Fixed Assets

Condition: During our audit, we noted that the school failed to notify the state the disposal of fixed assets.

Criteria: Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code govern the disposition of fixed assets.

Effect: The school is not in compliance with Sections 13-6-1 through 13-6-2 NMSA 1978 and the procurement code related to the disposal of fixed assets. Further, there was no certification that the hard drives of any of the donated computers were cleaned before disposal.

Cause: Since assets were disposed of years ago, the school did not believe it was necessary to complete disposal forms.

Auditor's Recommendation: We recommend that policies and procedures be established to ensure that all disposals are properly notified to the state.

Management's Response: We will make sure that any disposition of fixed assets follows the law and state auditors rule.

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The Learning Community Charter School Foundation

FS 09-210 No Accounting Records

Condition: The Foundation does not have a chart of accounts or a general ledger.

Criteria: According to NMAC 6.20.2.13 the Foundation must establish and maintain a general ledger in accordance with GAAP as well as prepare, maintain and report financial information utilizing a standard and uniform chart of accounts.

Effect: Without the general ledger and chart of accounts, the Foundation cannot ensure they are accurately accounting for their financial activity and position.

Cause: Since there is very minimal activity in the Foundation, they did not realize they needed an accounting system for it.

Auditor's Recommendation: We recommend that the school develop and maintain a general ledger and chart of accounts in accordance with NMAC 6.20.2.13.

Management's Response: The Learning Community Foundation has contracted with an independent CPA that has prepared a chart of accounts for the foundation. He will work with the foundation to ensure this will continue in the future. The foundation in the past was not clear on what type or format the chart of accounts should be. This has been resolved.

FS 09-211 Inadequate Segregation of Duties in the Receipting and Disbursements Processes

Condition: During our review of the cash receipts process, we noted that the same person receives the check, prepares the deposit slip and deposits the check. In addition, we noted that the same person writes the Foundation's checks, signs them and mails them.

Criteria: Sound business practice required adequate segregation of duties during the receipting and disbursement processes.

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

Cause: The lack of segregation of duties is due to there being only one employee working on the Foundation.

Auditor's Recommendation: We recommend that the Foundation use at least one more employee. Certain responsibilities during the receipting and disbursements processes should be delegated to this qualified employee.

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Management's Response: The Learning Community Foundation has changed this practice to involve other personnel. The foundation board will work closely with management to clearly outline the receipting, depositing, and check writing duties to ensure adequate segregation of duties.

Academy of Trades & Technology (Formerly Youth Build Trade and Technology)

FS 07-192 Untimely Deposits

Condition: In the process of reviewing the receipts testwork we found two of the fifteen receipts tested were not deposited within 24 hours of when they were received. We were not able to trace three receipts out of the fifteen receipts tested to the general ledger.

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

Effect: Non-adherence to state statutes places the School in noncompliance and lack of timeliness of deposits could subject the District to a possible occurrence of fraud.

Cause: The School has not ensured that deposits are made within the 24 hour requirement.

Auditor's Recommendation: We recommend that the School emphasize the importance of timely deposits of receipts, and monitor receipts more closely in order to be compliant with state statutes.

Management's Response: Management has amended policy to insure that all deposits are made within the 24 hour rule.

FS 09-212 Travel & Per Diem

Condition: During test work conducted in relation to Travel and Per Diem reimbursement, we noted one instance of four tested where an employee was reimbursed in excess of the allowable daily food allowance.

Criteria: NMAC 2.42.2.9 sets guidelines regarding the reimbursement of actual expenses for food costs and states that actual expenses for meals are limited to a maximum of \$45.00 per employee per day for out-of-state travel.

Effect: One employee was overpaid for expenses incurred and therefore, the School is not in compliance with NMAC 2.42.2.9.

Cause: The reimbursement form was not properly recalculated before disbursement. As a result, the employee was paid an amount in excess of that allowed by State Statute.

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Auditor's Recommendation: We recommend that the requests for reimbursement are recalculated before disbursement and that the School complies with NMAC 2.42.2.9 in the future.

Management Response: Management has implemented a policy that will ensure that all requests for reimbursements are verified by accounts payable, and reviewed again by the business manager, before any checks are written.

FS 09-213 Capital Assets

Condition: During our test work, we noted that the District's fixed asset record had been depreciating over 25 years instead of the approved policy which indicates useful life of 20 years.

Criteria: According to NMAC 6.20.2.22 C, assets of a long-term character which are intended to continue to be held or used, such as land, buildings, furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP.

Effect: The School was not properly depreciating the capital asset in accordance with policy. Improper depreciation may result misstatement of financial statement on the government-wide basis.

Cause: The School had been using the spreadsheet for several years that was depreciating a capital assets for 25 years instead of 20 years as required by policy. The School had not recalculated and compared the depreciation of this asset to the School's policy.

Auditors' Recommendations: The District must review its policy before implementing a property control system in accordance with NMAC 6.20.2.22 C in order to be able to calculate depreciation on those assets.

Management's Response: Management has assured that policy is compliant in accordance with NMAC 6.20.2.22 C.

FS 09-214 Procurement Code

Condition: In two out of five bids tested, the School did not follow the procurement code process and one did not contain the required documentation to demonstrate that they were received in a sealed envelope.

Criteria: As indicated in NMAC 1.4.1.14 through 1.4.1.28, an internal control structure over purchasing shall be established and maintained to assure compliance with school

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district policy and state and federal regulations in assurance that all the bids are supported by proper documentation.

Effect: The bids that were received did not have an envelope to indicate that these bids were received in sealed packages; two did not go out to bid. This caused the School to be in non-compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause The School did not maintain documentation to support the procurement process in compliance with State Statute.

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

Management's Response: Management has designated the accountant as procurement agent that will be accountable for maintaining all procurement records, and ensure that State and Federal procurement policies are followed. Account has been scheduled to attend procurement training given by the State Procurement Office.

FS 09-215 Internal Controls Over Check Printing Process

Condition: The School does not have adequate internal controls over the check printing process within its accounting system. We noted that the School changed check dates during the check writing process.

Criteria: As indicated in NMAC 6.20.2.14, Schools 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.

Effect: Without proper controls within the accounting software, errors or irregularities could go undetected and cause financial statements to be misstated. The School may be at risk for fraudulent activity without proper controls.

Cause: The School was able to override the system and enter a different date during the checks printing process. As a result, proper controls over check printing have not been maintained.

Auditor's Recommendation: The School must implement proper controls within the accounting system to insure that the check dates cannot be manipulated in the system.

Management's Response: The School will implement procedures to ensure proper cut-off is obtained in the next year. .

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FS 09-216 Cash Disbursements

Condition: During our testwork of cash disbursements, we noted the following exception:

- (5) One of eighteen disbursements tested the invoice amount exceeded the purchase order amount by \$60.00.

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

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

Cause: In the instance noted, the School did not maintain sufficient internal controls over cash disbursements as purchase orders must be utilized to limit the 'Schools liability for excessive expenditure.

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

Management's Response: Management agrees with finding and will ensure that policy is in accordance with NMSA 1978 Section 13-1-21.

FS 09-217 BARS

Condition: During our testwork of BARs, we noted the following exception that there was an excess of \$250 transferred out of 1000 function to the 2XXX functions in the operational fund.

Criteria: NMAC 6.20.2.10 states that each school shall submit budget adjustment requests for the operating budget for to the department for transfers between functional categories...and shall not be made by the school district until budget authority has been established and approval received from the department.

Effect: The proper maintenance of budget transfers is necessary to mitigate possible over expenditure of funds within allowed functions.

Cause: In this instance, the School did not maintain sufficient internal controls over budget transfers. Transfers must be processed through accurate and prudent approval processes.

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Auditor's Recommendation: We recommend the School implement a budget transfer policy in accordance with NMAC 6.20.2.10 and consistently follow the policy. The policy should address a review mechanism to catch possible errors.

Management's Response: Management has a budget transfer policy that follows NMAC 6.20.2.10, however when entering year end BAR it was entered in error.

FS 09-218 Compensated Absences

Condition: During audit testwork of compensated absences, it was noted that one of the individuals tested did not have leave used correctly calculated.

Criteria: School personnel policies indicate that leave be accrued at a certain rate and per pay-period.

Effect: School may be potentially liable for accrued leave and related liabilities that it may or may not owe due to incorrect records.

Cause: The School's policies and procedures relating to compensated absences did not correctly track the rates at which leave was being accrued.

Auditor's Recommendation: The School should revise policies and procedures surrounding the calculation of compensated absences and assign personnel to periodically recalculate leave balances to ensure accuracy.

Management's Response: Management will revise policy to implement policy to have a mid-year audit review. Policies will be reviewed for accuracy before presenting to audit.

Albuquerque Talent and Development Secondary Charter School

FS 08-27 RHC, 941 & ERB Contributions

Condition: During our test work we noted the RHC payment for June 30, 2009 (\$1,731.37) was not submitted until September 14, 2009. We noted on the 941 reports that the payment for June 30, 2009 (\$35,629) was not filed until September 14, 2009. We noted that the ERB report for June 30, 2009 (\$19,787.17) was not filed until July 27, 2009. We noted that the SUTA payment for June 30, 2009 (\$2,189.51) was not made until September 14, 2009. We noted that the NM CRS payment (\$2,986.76) was not made until September 14, 2009.

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

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

Effect: The school was in violation of RHC, ERB requirements, New Mexico Taxation and Revenue, New Mexico Department of Labor and IRS standards.

Cause: The school changes business managers in July 2009 and had to go back and did not know what was paid/not paid.

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

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 to process and ensure RHC and ERB reports are submitted timely. In addition, the accounting firm is assisting the School in implementing controls to ensure that all reports and payments are submitted timely.

FS 08-28 941 Difference with General Ledger

Condition: 941 reports did not reconcile to the general ledger for the year ended June 30, 2009. 941 reports had a difference of \$1,602.

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

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

Cause: School had turnover during the fiscal year, and this was an oversight.

Auditor's Recommendation: The School must reconcile the general ledger to the ERB contributions to ensure the correct contributions are being submitted.

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 to process and ensure payroll taxes and ERB reports are reconciled to the general ledger. The School is also implementing controls to reconcile reports to the general ledger periodically.

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FS 08-29 Budgetary Conditions

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

General fund	
Food Services	15,176
State Stimulus	
Direct Instruction	571

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

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

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

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

Management's Response: This was a result of the School's prior business manager not submitting budget adjustment requests in a timely fashion. The School has contracted professional services to assist the business office as of July 1, 2009. The accounting firm is assisting the School in implementing controls to ensure BAR's are submitted to PED timely in an attempt to avoid findings related to budget over-expenditure in the future.

FS 09-219 Lack of Authority Signatory on Payroll Registers

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

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

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

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

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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: During the year ended June 30, 2009, the School did not have procedures in place for payroll register approval. This was a result of the School's prior contracted business manager not performing his/her duties. The School has contracted professional services to assist the business office as of July 1, 2009. Payroll registers are now being reviewed and approved by the Business Manager through the use of APTA prior to payroll being processed. In addition, the accounting firm is assisting the School in implementing controls to that all payroll registers are being reviewed and approved.

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

Condition: During our test work, we noted that 6 of our 19 items tested we could not agree the pay rate to the stated contract amount. We noted 5 checks were overpaid in the amounts of \$226.67, \$227.28, \$1,250, \$1,250, \$126.31 and 1 check was underpaid in the amount of \$388.33.

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

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

Cause: Pay rates are not properly being reviewed.

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: The School has contracted professional services to assist the business office as of July 1, 2009 who will assist the School in implementing controls to ensure the contract amounts and deduction authorization forms agree to what is being processed in APTA.

FS 09-221 Checks Issued

Condition: During review of cancelled checks, we noted that the checks do not have "void after one year from date" written on face.

Criteria: According to NMAC 6.20.2.14 cash control standards, each warrant or check issued is required to have printed on its face the words, "void after one year from date."

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Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57 (A), NMSA 1978.

Effect: The school could be liable for checks potentially cancelled.

Cause: School does not order checks with required words on face.

Auditor's Recommendation: We recommend the school order checks that have the words "void after one year from date" printed clearly on face of warrant or check.

Management's Response: The School will ensure that the wording is printed on all checks to ensure compliance with NMAC 6.20.2.14.

FS 09-222 Purchase Orders

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

- Monies spent exceeded the amount of the Purchase Order. The purchase order was for \$2,200.00, but all expenses against it totaled \$2,250.00.
- Purchase orders for 1 out of 5 travel and per diem expense was not completed.
- 9 out of 21 disbursements did not have a required purchase order.
- We noted that there were no purchase orders for credit card purchases for a total of \$965.46.

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

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

Cause: Since one person was performing the AP function the school did not have control over purchase orders. The school also did not know they should have purchase orders for credit card charges.

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

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 who will assist the School in implementing controls to ensure compliance with the Procurement Code.

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FS 09-223 Minutes

Condition: During review of minutes we noted that the names of the board members absent were not listed on the minutes.

Criteria: Chapter 10, Article 15 NMSA 1978 states that "the board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time, and place of the meeting, the names of board members in attendance and those absent. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present."

Effect: The school is non-compliant with Chapter 10, Article 15 NMSA 1978.

Cause: The School failed to document which board members were absent from the board meetings.

Auditor's Recommendation: We recommend the school follow the open meetings act Chapter 10, Article 15 NMSA 1978 and include all the minimum requirements into the minutes.

Management's Response: The School will attend training to become more familiar with the rules of the Open Meetings Act to ensure that compliance is being met.

FS 09-224 Background Checks

Condition: During our review of disbursements, we noted that the contractor substitute did not have a background check on file. The school indicated that the substitute was supervised at all times. We noted no documentation that the substitute was supervised.

Criteria: According to 22-10.3.3 NMSA 1978 policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

Effect: The School has a potential for lawsuits as it is not protecting itself by performing background checks required by state statute.

Cause: There is not an established policy in place within the school that requires personnel files to be reviewed for background checks.

Auditor's Recommendation: We recommend the School update their policies and procedures manual regarding background checks to insure that each employee/contractor with access to students has been given a background check before being hired by the school.

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Management's Response: The School will revisit its policy to ensure that all employees and contractors who have access to students have a background check in place before they are hired.

FS 09-225 Inadequate Segregation of Duties in the Receipting Process

Condition: During our review of the cash receipts process, we noted that the same person preparing the deposit slip also takes the deposit to the bank. We also noted a log is kept of the monies received however the amounts recorded in APTA are not reconciled back to the log.

Criteria: According to NMSA 1978 Section 6-5-2, Segregation of duties must be obtained.

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

Cause: The lack of segregation of duties is due to there being so few qualified employees which has left the business manager handling most of the receipting process.

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

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 and we are currently evaluating internal policies and procedures to ensure proper segregation of duties. The School's limited financial resources will be taken into consideration when determining segregation of duties.

FS 09-226 Nepotism

Condition: During our payroll testwork, we noted the Executive Directors daughter was a contractor of the school. We noted no evidence that contracts were approved by the business manager as required by the charter.

Criteria: NM State Statute 22-8B-10 states that "The head administrator of a charter school shall not initially employ or approve the initial employment in any capacity of a person who is the spouse, father, father-in-law, mother, mother-in-law, son, son-in-law, daughter, or daughter-in-law of a member of the governing body or the head administrator. The governing body may waive the nepotism rule for family members of a head administrator.

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

Cause: The founder of the school did not advertise jobs and hired individuals within the family in order to control the school.

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Auditor's Recommendation: According to the State Statute "Nothing in this section shall prohibit the continued employment of a person employed on or before July 1, 2007." Therefore, we do not recommend termination. We do recommend that the School understand the nepotism policy and ensure future compliance. We also recommend that nepotism be addressed in the school charter.

Management's Response: The School was not aware of the Statute regarding nepotism in the past and past administration did not disclose the issue to the auditors. The School has addressed this issue through the termination of employees that violated the nepotism rule in the past. The School will take steps to ensure this is not an issue going forward.

FS 09-227 Cell Phones

Condition: During our audit we noted the following:

- The school paid for a cell phone for an independent contractor.
- We noted school employees that have cell phones do not keep track of personal use.

Criteria: Section 280F (d)(4)(A)(v) provides that "listed property" includes any cellular telephone. Per IRS bulletin 2009-23, an employee must include in gross income the amount, if any, paid for the benefit or on behalf of the employee.

Effect: The school is in violation of the IRS rules.

Cause: Since this school has more revenue, they pay all the cell phones from this school. The school did not know that the IRS required that these benefits be included in their gross income.

Auditor's Recommendation: We recommend the keep track of personal usage and properly allocate the expense between all three schools.

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 to ensure issues of amounts being paid for an independent contractor are not a continuing issue. The School does disagree with the payment of cell phone charges of employees as this is an Anti-donation issue.

FS 09-228 Cash Receipts-Inadequate Documentation

Condition: One out of three items tested there was no receipt written for monies received. Total amount of monies received was \$360.50. We were unable to verify whether monies were deposited within 24 hours.

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

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

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

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

Management's Response: During the year ended June 30, 2009, the School did not have an internal control structure to ensure that deposits are being made timely. The School has contracted professional services to assist the business office as of July 1, 2009. The accounting firm is assisting the School in implementing controls to ensure compliance with the NMAC 6.20.2.14.

FS 09-229 Travel & Per Diem

Condition: During our test work we noted two out of five transactions tested where 58 cents per mile was reimbursed instead of the .32 cents allowed. Over payment occurred in the amounts of \$90.22 and \$63.16. We also noted an employee overcharged mileage for distance traveled according to Rand McNally.

Criteria: Per NMAC 2.42.2.11 employees shall be reimbursed for mileage accrued in the use of a privately owned automobile, thirty two cents (.32) per mile.

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

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

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

Management's Response: These items were a result of the School's misinterpretation of the effective date of the rate increase that was approved during the legislative session. Since the change is effective as of the 2009-2010 fiscal year, this should not be an issue for the next audit. However, the school will obtain a second opinion for any future

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instances that are similar to ensure that their course of action is in compliance with regulation.

FS 09-230 Sales Tax

Condition: During our test work, we noted that the school paid taxes on tangible items for kitchen equipment and supplies. The school is a tax exempt entity and is not required to pay taxes for tangible items. We noted a total of \$169.07 in sales tax was paid.

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

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

Cause: The school often finds it hard to be completing the tax-exempt forms for vendors they have not previously used.

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

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 in ensuring these types of issues do not re-occur.

FS 09-231 Disbursements-Lack of Authorization

Condition: We noted during test work that 2 out of 21 items tested, checks did not contain the required two signatures as required by the charter. We also noted that the signature card did not contain a governing council member who is required to sign check on amounts over \$5,000.

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

Effect: This could result in inadequate authorization of expenditures.

Cause: The School failed to follow procedure regarding two signatures on amounts over \$5,000 and failed to include a governing council member as a check signer.

Auditor's Recommendation: We recommend that school follow policies and procedures and implement procedure to ensure that all checks over \$5,000 have two signatures before they are sent out.

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 and we are currently evaluating internal policies and

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procedures to ensure that proper authorization is occurring. The School is also revisiting its charter to include language that will allow the school to process payment of re-occurring costs that exceed \$5,000 in which they will obtain approval during the next council meeting via approval of bank reconciliation reports.

FS 09-232 Inadequate Segregation of Duties in Cash Disbursement Process

Condition: The Assistant Business Manager's duties include approving purchase orders, writing checks, posting to the general ledger, preparing bank reconciliations, and access to on-line bank accounts including performing EFT/Transfers. We noted invoices are not being approved before they are paid. We also noted the Assistant Business Manager's mother has access to sign checks as the Founder of the School.

Criteria: According to NMSA 1978 Section 6-5-2, Segregation of duties must be obtained.

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

Cause: The school hired an assistant business manager who was under the control of the Executive Director and would oversee all areas of the disbursement process.

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

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 and we are currently evaluating internal policies and procedures to ensure proper segregation of duties. The School's limited financial resources will be taken into consideration when determining segregation of duties.

FS 09-233 Internal Control Structure

Condition: During our fieldwork we noted the following:

- We noted invoice paid did not have the number of hours worked as required by contract on invoice.
- We noted a payment for rent did not agree to the lease agreement. We also noted the school paid for construction costs where no construction was done on the school.
- We noted that the lease should have been signed by an authorized board representative. However, we noted the lease was actually signed by a director of the school.
- Leave request form for travel is not being completed as required by Charter.

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

Effect: The financial statements could be misleading.

Cause: Invoices were paid without being reviewed.

Auditor's Recommendation: We recommend that all invoices be verified against contracts or leases before they are paid to the vendor.

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 and we are currently evaluating internal policies and procedures to ensure proper segregation of duties. The School's limited financial resources will be taken into consideration when determining segregation of duties.

FS 09-234 Administrator Contracts

Condition: During our fieldwork we noted that administrator contracts were not properly approved by the board. We also noted that time sheets are not completed for employees- especially since some employees have dual positions at the school.

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

Effect: The school could be paying for services that have not been rendered.

Cause: The school does not require employees to complete timesheets.

Auditor's Recommendation: We recommend that school implement policies and procedures in order to properly account for services received by employees. We also recommend that the board approve all employee positions.

Management's Response: During the year ended June 30, 2009, the School had not established any control procedure to ensure that proper authorization had occurred for contracts or to obtain time sheets for exempt or dual position non-exempt employees.

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The School is in the process of establishing such procedures through the assistance of the new Business Manager.

FS 09-235 Payroll Contracts

Condition: During our fieldwork we noted the following regarding payroll contracts:

- We noted an employee file had two contracts with different amounts signed on the same date for the same time period. There was no evidence that one contract superseded the other. We also noted that the gross amount paid did not agree to either contract.
- We noted that contracts were not approved by the Business Manager as required by the Charter.
- We noted per contract, an employee was to put all requests to the Business Office, however, we noted that a leave request was approved by a Director of the school.
- We noted that the approval date on one of the employee contracts was incorrect as the date was noted 12/24/2009.
- We noted that the approval dates on the contract were not completed by the approvers of the contract.

Criteria: NMAC 6.20.2.18 states that School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: Without proper documentation, it is possible that employees could be paid incorrectly or have deductions withheld at incorrect rates.

Cause: The School does not have internal control procedures related to monitoring employee personnel files on a continuous basis.

Auditor's Recommendation: We recommend that the School review all personnel files and ensure that all required documentation is filed and all payroll deductions are withheld at correct rates and that procedures regarding contracts are correct.

Management's Response: During the year ended June 30, 2009, the School had not established any control procedures to review payroll contracts. The School is in the process of establishing such procedures through the assistance of the accounting firm.

FS 09-236 Inadequate Segregation of Duties in Payroll Process

Condition: The Assistant Business Manager's duties include entering/making changes to rates in APTA, processing payroll checks, processing benefits, access to employees, posting to the general ledger, performing bank reconciliations, and access to perform

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IRS, RHC, and ERB payments electronically without approval. We also noted the Assistant Business Manager's mother has access to sign checks as the Founder of the School.

Criteria: According to NMSA 1978 Section 6-5-2, Segregation of duties must be obtained.

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

Cause: The school hired an assistant business manager who was under the control of the Executive Director and would oversee all areas of the receipt process.

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

Management's Response: The School has contracted professional services to assist the business office as of July 1, 2009 and we are currently evaluating internal policies and procedures to ensure proper segregation of duties. The School's limited financial resources will be taken into consideration when determining segregation of duties.

FS 09-237 Internal Controls Over Non-Standard Journal Entries

Condition: During our review of journal entries, 8 out of 9 tested did not have supporting documentation. We also noted that 7 out of 9 tested were not properly approved.

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

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

Cause: Documentation for journal entries was kept by the previous business manager.

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, approved and supported.

Management's Response: This was a result of the School's prior business manager not submitting all journal entries to the School for review and approval. The School has contracted professional services to assist the business office as of July 1, 2009. The accounting firm is assisting the School in implementing controls to ensure journal entries

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and bank reconciliations are performed timely, reviewed and properly approved in the future.

FS 09-238 Fixed Asset Inventory

Condition: For the 2008/2009 year, there was no evidence that the school performed an annual inventory of fixed assets.

Criteria: Per NMAC 2.20.1.16 Annual Inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of five thousand dollars (\$5,000) or more, under the control of the governing authority.

Effect: The School is noncompliant with NMAC 2.20.1.16 and does not have internal controls implemented for safeguarding them and establishing accountability for their custody and use.

Cause: The School could not locate documents of their physical inventory.

Auditor's Recommendation: The School should ensure a policy to conduct an annual inventory of fixed assets is implemented.

Management's Response: During the year ended June 30, 2009, the School did not perform a physical inventory count as required. The School is in the process of establishing procedures to ensure that this process is being implemented through the assistance of the accounting firm.

FS 09-239 Bank Reconciliations

Condition: During our audit we noted there was no evidence that bank reconciliations are being reviewed.

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

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

Cause: The school does not have policies in place for the review of bank reconciliations.

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

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Management's Response: During the year ended June 30, 2009, the School did not have an internal control structure to ensure that bank reconciliations were being reviewed. The School has contracted professional services to assist the business office as of July 1, 2009 and has already implemented the review process in which all bank reconciliation reports are being reviewed and initialed by the Business Manager.

FS 09-240 Procurement Code

Condition: During the year ended June 30, 2009 we noted that 1 item did not go out for bid. Total amount paid to vendor was \$51,100.

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

Effect: The school is not in compliance with NMAC 1.4.1.14 through 1.4.1.28.

Cause: School did not expect total amount to exceed \$50,000.

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

Management's Response: The School follows and will continue to follow State procurement regulations. In this case, the professional services were purchased and unintentionally went over the procurement requirement of \$50,000. The School and its new business manager professional service will monitor these situations more closely in the next fiscal year.

FS 09-241 120 Day Counts

Condition: During our testwork, we noted that the student roster had one less student than what was reported on the 120 day counts. We noted that the total students' reported was 167 and the total roster was 166.

Criteria: Per 22-8-13 NMSA 1978 each state-chartered school shall keep accurate records concerning membership in the public school. The superintendent of each school shall maintain reports for each twenty-date reporting period.

Effect: The school will receive funding for this student that does not belong to them.

Cause: There was an error in the reports that caused the student to be incorrectly counted.

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Auditor's Recommendation: The school should establish policies and procedures to ensure that all students are properly counted.

Management's Response: During the year ended June 30, 2009, the School had not established any control procedures to review STARS reporting. The School is in the process of establishing such procedures through the assistance of the accounting firm.

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09-242 Reconciliation of Bank and Investment Accounts

Condition: Monthly reconciliations of cash and investment accounts were not consistently performed and related activity was not recorded in the general ledger on a timely basis.

Criteria: Good internal controls require that reconciliations be performed timely and reviewed by a supervisor to ensure accuracy.

Effect: Cash and investment general ledger balances may be incomplete or erroneous. In addition, asset misappropriation could occur and not be detected.

Cause: It appears that low staffing levels high turnover of accounting personnel may be the cause.

Auditor's Recommendation: We recommend that a supervisor review and approve all bank reconciliations of both cash and investment accounts on a monthly basis. Additionally, the Foundation should consider hiring an accounting consultant to ensure that bank and investment accounts are reconciled in a timely manner and that related activity is accurately recorded in the general ledger.

Management Response: The monthly review and reconciliations of both cash and investment accounts will be conducted by the account technician, oversight and review will be provided by the Resource Specialist, and final approval will be provided by the Executive Director. An accounting consultant will be considered as an option upon further review of daily/monthly time commitments of the foundation staff.

09-243 Cash Receipt and Deposit Controls

Condition: During our review of the cash receipt and deposit process we noted the following internal control weaknesses:

- Inadequate segregation of duties – One person is responsible for receiving donations preparing the deposit and recording the activity in the general ledger.
- Pre-numbered receipts are not used.
- There is no formal process to review deposit and receipt activity on a timely basis.

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Criteria: Good internal controls require that processing and recording of contributions be performed by at least two individuals, pre-numbered receipts be issued and maintained, and reviewing deposit and receipt activity on timely basis.

Effect: Inadequate segregation of duties, inconsistent documentation of contributions received and lack of formal reviews could lead to inaccurate recording of receipts and/or misappropriation of assets.

Cause: It appears that low staffing levels and non-compliance with policies and procedures may be the cause.

Auditor's Recommendation: We recommend segregating the duties of processing and recording of contributions, issuing and maintaining pre-numbered receipts, implementing a formal review process and revising policies and procedures to specify which personnel will perform these tasks.

Management Response: Compliance of segregation of duties for processing and recording contributions will be effective immediately. Receipting of contributions will be managed independently of registering the deposits into the financial system. Review of all receipts taken in will be done by the Executive Director on a weekly basis. Policies and Procedures will be amended to reflect this process.

09-244 Disbursement Controls

Condition: Supporting documentation for three of twelve disbursements tested could not be located.

Criteria: Good internal controls require that supporting documentation be consistently maintained in a manner that facilitates easy accessibility.

Effect: The disbursements referred to above could not be substantiated.

Cause: It appears that procedures for retention of supporting documentation are not consistently followed.

Auditor's Recommendation: We recommend establishing a filing system to ensure that documents are consistently maintained.

Management Response: An adequate filing and tracking system has been implemented for Fiscal Year 09-10 with the recent hiring of a new Account Technician. All records are maintained in our offices for the required 7 years.

09-245 Journal Entry Controls

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Condition: During our review of journal entries, it was noted that the internal controls surrounding the posting process are not effective in that journal entries are not reviewed and approved.

Criteria: Good accounting policies require that journal entries be reviewed and approved.

Effect: Journal entries could be posted incorrectly and lack of review and approval increases the risk of fraud.

Cause: It appears that low staffing levels and lack of policies and procedures for posting and reviewing of journal entries may be the cause.

Auditor's Recommendation: We recommend that the Foundation implement a policy that requires journal entries to be reviewed and approved. Evidence of review and approval should be documented on a journal entry voucher form that is attached to supporting documentation.

Management Response: A journal entry form will be submitted for approval to an oversight reviewer prior to the action being taken and appropriate weekly/monthly review will be done by the Executive Director. All documentation will be attached with files. Policies and Procedures will be amended to reflect this process.

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APS Single Audit

**FA 07-03 Title I, Title IIa, IDEA and Carl Perkins – Allowable Costs –
Documentation of Employee Time and Effort**

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
Special Education – Preschool Grants (IDEA Preschool)
Title I Grants to Local Educational Agencies
Improving Teacher Quality State Grants
Career and Technical Education – Basic Grants to States
CFDA Number: IDEA - 84.027 and 84.173
Title I – 84.010
Title IIa – 84.367
Carl Perkins- 84.048
Award Year & Number: 2009

Condition: During our testing of payroll for single audit we noted, 14 of 25 employees tested had no certification of their level of effort on the IDEA grant. 8 of 25 employees tested had no certification of their level of effort on the Title I and Title IIa grant. 1 of 25 employees had no certification of their level of effort on the Carl Perkins Grant.

Criteria: According to OMB Circular A-87, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.”

Questioned Costs: Unknown

Effect: The program is not in compliance with grant requirements and employee’s time has the potential to be misstated.

Cause: Grant management has a control in place for Time and Effort Certifications but some schools/departments are not returning the certifications as requested from Grant management.

Auditor’s Recommendation: We recommend that APS develop follow-up procedures to ensure Time and Effort certifications are returned to APS Grant Management in a timely manner.

Management Response: Grant Management implemented a new process for 2008-2009 for tracking Time and Effort for all Federal Programs. The process is now in place, and the next step is the follow through that is required from our office to ensure all forms are returned. We have begun notifying the employee as well as their supervisor as to the importance of this procedure. We will also implement a supervisor’s list to be sent to the

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supervisor of each employee that receives the forms monthly. They will be able to use this tool to help ensure all forms are signed by them and returned to our office.

FA-08-01 Carl Perkins – Special Tests/Reporting – Supporting documentation for Annual Report

Condition: We noted during our Special Tests testwork, that the financial expenditures and the inventory totals presented in the report, did not agree to the general ledger. The inventory total (items included are both over and under \$5,000) on the annual report is \$130,594 and according to Lawson, it is \$324,559. In addition, we found footing errors in the annual report that was signed by the Project Manager but it was not reviewed and signed by APS grant management.

Criteria: According to the Compliance Supplement and the grant agreement, an annual accountability report is required by the Department of Education from the state Public Education Department. As part of the process, "LEA's and other sub-recipients must submit data to the grantee for the grantee's report."

Questioned Costs: None

Effect: The Districts ability to effectively manage its operations in order to meet the compliance requirement of the grant was impaired. The risk that errors or fraud could go undetected was significantly increased.

Cause: Project management tracks equipment in excel and does not know how to reconcile the fiscal information listed on the annual report to the general ledger or other reliable records such as Lawson reports. In addition, program management is not aware that reports must be properly reviewed by someone other than the preparer.

Auditor's Recommendation: We recommend that APS implement controls in order to ensure that all required reports that include fiscal information to be reviewed by the APS grant manager. The APS grant manager can review for clerical accuracy, adequate support, proper signatures and dates.

Management Response: We have conducted training with the program administrator assistant on how to balance to Lawson. Stronger controls will be put in place to ensure accuracy including a meeting between grant management and the Carl Perkins program administrator to discuss these findings and implement procedures to insure that the Finance Department reviews and signs off on all finance reports.

FA 08-02 Carl Perkins – Equipment – Additions, Physical Inventory, and Deletions

Condition: We noted during our equipment testwork that the completeness of the inventory population for Carl Perkins could not be determined, therefore, physical inventory testwork could not be performed. In addition, deletions testwork was not

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performed because federal dispositions were are not tracked as federal assets and the completeness of the inventory population could not be determined.

Criteria: According to OMB Circular A-133, equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Questioned Costs: Unknown

Effect: The district cannot adequately reconcile the Carl Perkins current year equipment additions in the inventory system to the financial system; therefore, we cannot determine that the inventory listing is complete. There may be some risk that federal funding could have a negative impact.

Cause: Per discussion with the Capital Outlay Controller, inventory of federal assets can be tracked to the financial system by account coding based on a summarized dollar amount total but cannot be identified by individual asset. In addition, there is not a process in place to identify a federal asset being disposed with the exception of Title I.

Auditor's Recommendation: We recommend that APS implement procedures to reconcile current year assets from the inventory system to the financial system individually. In addition, we recommend that APS implement written procedures to identify federal assets in order to dispose of federal assets adequately.

Management's Response: The Asset Management Department has incorporated the Division and Accounting Unit into their reporting process so that asset reporting by grant can be accomplished, and records can be reconciled between Grant Management and Asset Management.

FA 09-01 IDEA-B – Earmarking –Voluntary Early Intervention Expenditures not tracked

Funding agency: U.S. Department of Education
Title: Special Education – Grants to States (IDEA, Part B)
Special Education – Preschool Grants (IDEA Preschool)
CFDA Number: 84.027 and 84.173
Award Year & Number: 2009

Condition: Voluntary Early Intervention actual expenses are not tracked.

Criteria: According to grant requirements, the District is required to track monies spent on Voluntary Early Intervention to ensure that 15% or less is being spent.

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Questioned Costs: Unknown

Effect: The District is not in compliance with IDEA B earmarking requirements.

Cause: The District does not have a tracking system in place to ensure that they have spent 15% or less on Voluntary Early Intervention.

Auditor's Recommendation: We recommend that the District implement a tracking system and establish internal controls to ensure that they are in compliance with all grant requirements.

Management Response: APS Special Education department has been tracking the budget for this separately; however, they have not been tracking expenses separately. The PED has now implemented a new program number that will be used as the tracking mechanism whereby the 15% cap will be allocated from the main award to this fund for tracking. APS is using this code in the current 09-10 fiscal year.

FA 09-02 Federal Reimbursements- Charter School

Condition: During our audit, we noted federal reimbursement requests exceeded expenditures by \$97.

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

Questioned Costs: \$97

Effect: This could result in less federal funding in the future.

Cause: School billed expenditures they had billed for in previous year.

Auditor's Recommendation: We recommend that the school perform reconciliations to verify balances are accurate and true.

Management's Response: The school had submitted an invoice for a total which did include a previous year amount. They had also attached a letter stating that they only wanted the reimbursement of the difference. A/P overlooked the letter. For future such encounters, when grant management receives such an invoice with discrepancies to the balance available, we will correct the invoice amount and initial our change.

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

El Camino Real Charter School

FA-09-03 – Federal Suspension and Debarment

Funding agency: U.S. Department of Agriculture
Title and CFDA number: School Lunch Program 10.555
Award year and number: 06-30-2009

Condition: The School is not checking the federal suspension and debarment listing prior to making purchases with vendors over \$25,000.

Criteria: The School is required to be in compliance with Federal Award requirements, including the suspension and debarment requirements.

Cause: The School indicated that they were not aware of the requirement.

Effect: The School did not verify that the vendors that were purchased from through federal programs were not on the list, resulting in a violation of the Federal Award.

Questioned Costs: None

Auditors' Recommendation: We recommend that the School follow the compliance requirements under the Federal Programs.

Management's Response: We have checked our documentation regarding the USDA Federal Award requirements received from the State Department of Education. We did not find this requirement documented. We have added this requirement to our annual processes and will insure that it is done for all vendors paid over \$25,000 by any federal program.

Gordon Bernell

FA-09-04 TIMELY FILING OF FINANCIAL REPORTS:

Federal Program:

Charter Schools, Department of Education
Grant No. U282A060012, Project Period March 26, 2008 – June 30, 2009

QUESTIONED COSTS

NONE

Condition: During our test work over the required quarterly expenditures reports required to be submitted to PED, we noted that the School did not file the reports by the required due date.

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Criteria: According to the grant agreement between the School and PED, "A quarterly expenditure report must be submitted to Susan Lucero, NM PED fiscal flow-through funds supervisor... The expenditure report is due 15 days following the end of each quarter.

Cause: The department did not file financial reporting within the deadlines given by the funding agency.

Effect: Non-compliance with the financial reporting requirement may cause a reduction in government funding.

Auditor's Recommendation: We recommend that the department develop a control to remind management of financial reporting deadlines.

Management Response: A quarterly report was filed with the PED through OBMS and a cash report was submitted to, reviewed and approved by PED and APS by the by the approved due date, to include the funds in question above.

Auditor's Response: We noted that the IDEA B reimbursement request was not submitted until October 2009 for June 30, 2009.

**STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Section VII – Prior Year Audit Findings

Albuquerque Public Schools

06-07	FS Late Financial Audit Report	Cleared
06-14	FS Capital Assets Recognition	Repeated
07-01	FS Cash Receipts	Cleared
07-02	FS Journal Entries	Cleared
07-03	FS Disbursements	Cleared
07-06	FS Board of Education Reimbursement	Repeated
08-01	FS Unapproved Audit Contract	Cleared
08-02	FS Internal Control Policies	Cleared
08-03	FS Incorrect GL Coding	Cleared
08-04	FS Budgetary Condition	Repeated
08-05	FS Pledged Collateral	Cleared
08-06	FS Reporting-Late PED Filing	Cleared
08-07	FS Activity Funds	Repeated
06-06	FA Activity Funds	Repeated
06-08	FA Audit Report and Submission of the Data Collection Form	Cleared
07-03	FA Title I and Title IIa – Allowable Costs – Time and Effort	Repeated
07-05	FA Title I – Allowable Costs – Missing Authorization	Cleared
07-06	FA Title I – Eligibility – Targeted Assistance Schools	Cleared
07-08	FA Schedule of Expenditures of Federal Awards (SEFA)	Cleared
08-01	FA Carl Perkins Special Tests/ Reporting – Support	Repeated
08-02	FA Carl Perkins – Equipment – Physical Inventory and Deletions	Repeated
08-03	FA Grant Management	Cleared
08-04	FA Federal Reimbursements – East Mountain Charter School	Cleared

21st Century Public Academy

06-27	Internal Controls over Journal Entries	Repeated
06-28	PED Reports	Cleared
07-08	Timely Deposits	Cleared
07-09	Cash Receipts-Inadequate Documentation	Cleared
07-11	Internal Control Structure	Cleared
07-13	Checks Issued	Cleared
08-16	Budgetary Conditions	Repeated

Academia de Lengua y Cultura

06-37	Budgetary Conditions	Cleared
06-38	Segregation of Duties	Repeated
07-15	Payroll Transactions	Repeated
07-16	SAS 112 Compliance	Repeated
07-18	Timely Deposits	Cleared
08-18	Board Minutes	Repeated

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Albuquerque Institute for Math & Science

07-19	ERA and RHC Contributions	Repeated
07-21	BARS	Repeated
07-23	Payroll	Repeated
07-25	Travel & Per Diem	Repeated
07-26	Budgetary Conditions	Repeated
08-19	Cash Receipts – Inadequate Documentation	Repeated
08-20	Inadequate Segregation of Duties in the Receipting Process	Repeated
08-21	Journal Entries	Repeated
08-22	PED Reports	Repeated
08-23	Difference with General Ledger	Repeated
08-24	Internal Control Structure	Repeated

Albuquerque Talent & Development Secondary Charter School

08-27	RHC & ERB Contributions	Repeated
08-28	941 Difference with General Ledger	Repeated
08-29	Budgetary Conditions	Repeated

Amy Biehl High School

06-45	Journal Entries	Cleared
07-29	Background Checks	Cleared
07-31	Disbursement – Lack of Authorization	Cleared

Amy Biehl Charter High School Foundation

No Prior Year Findings

Career Academic & Technical Academy

08-40	Internal Control over Non-Standard Journal Entries	Repeated
04-44	Travel and Per Diem	Repeated

Cesar Chavez Community School

No Prior Year Findings

Christine Duncan

07-35	ERA and RHC Contributions	Repeated
07-36	Pledged Collateral	Cleared
07-37	Lack of Authority Signatory on Payroll Registers	Cleared
07-38	Internal Controls over Non-Standard Journal Entries	Repeated
07-40	Personnel Files	Repeated
07-41	Timely Deposits	Cleared
07-43	Gross Pay Does Not Agree to Contract Amount	Repeated
07-46	Budget Adjustment Request (BAR)	Repeated
07-47	Disbursements – Signature Authority	Cleared
07-49	Difference with General Ledger and 941, PERA/ (ERA) and RHC	Cleared
07-50	Internal Control Structure	Repeated

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Christine Duncan (Continued)

08-49 Cash Disbursements	Repeated
08-51 Bank Reconciliations	Repeated
08-52 Anti Donation	Repeated

Corrales International

No Prior Year Findings

Creative Education Preparatory Institute #1

06-59 PED Reports	Repeated
08-54 Bank Reconciliations	Repeated

Gilbert L. Sena High School (Formerly Creative Education Preparatory Institute #2)

07-62 Internal Controls over Non-Standard Journal Entries	Repeated
07-66 PED Report	Cleared

Digital Arts & Technology Academy

07-68 Cash Receipts	Cleared
07-69 Fixed Assets – Lack of Disposal Records	Cleared

East Mountain High School

06-67 Journal Entries	Cleared
07-70 Internal Control Structure	Cleared
07-71 Checks Issued	Cleared

East Mountain High School Foundation

07-72 Cash not deposited in timely manner	Cleared
07-73 Inadequate Segregation of Duties in the Receipting Process	Cleared

El Camino Real Academy

06-88 Budgetary Conditions	Cleared
07-76 Timeliness of Deposits	Repeated
07-77 Payroll Deductions	Cleared
07-78 Compensated Absences	Repeated
07-79 Internal Controls over Accounts Payable	Cleared
07-80 Fixed Asset Inventory Count	Cleared
07-81 Investment	Cleared

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

La Academia de Esperanza

07-87 SAS 112 Compliance	Cleared
07-89 Vendor Prepayment	Cleared
07-90 Internal Controls – Purchasing	Repeated
07-92 Bank Reconciliations	Repeated
07-93 PED Reports	Repeated
07-95 Payroll – Lack of Documentation	Repeated
07-97 Budgetary Conditions	Repeated
07-98 Fixed Asset Inventory Count	Repeated
08-85 Internal Control over Non-Standard Journal Entries	Repeated
08-86 Payroll Transactions	Repeated
08-87 RHC, 941 and ERB Contributions	Repeated

La Luz del Monte Learning Center

No Prior Year Findings

La Promesa Early Learning Center

06-98 Contract Does not Agree to Amount Paid	Repeated
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La Resolana

07-108 ERA Contributions	Cleared
07-109 Timely Deposits	Repeated
07-110 Personnel Files	Repeated
07-111 Reports and Contributions	Cleared
07-112 Purchase Orders	Repeated
08-89 Budgetary Conditions	Repeated
08-90 Checks Issued	Repeated
08-91 Lack of Signatory Authority on Payroll Registers	Repeated
08-92 Background Checks	Repeated
08-93 Inadequate Segregation of Duties in Receipting Process	Repeated
08-94 Pre-numbered Receipts	Repeated
08-95 PED Reports	Repeated

Los Puentes

No Prior Year Findings

Montessori Elementary Charter School

07-119 Receipting Violations	Cleared
07-123 Stale Dated Checks	Cleared
07-124 Bank Reconciliations	Cleared

Montessori Elementary Charter School

No Prior Year Findings

STATE OF NEW MEXICO
 ALBUQUERQUE PUBLIC SCHOOLS
 STATUS OF PRIOR YEAR FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2009

Mountain Mahogany

06-137 Internal Controls-Journal Entries	Cleared
07-131 941 and RHC Contributions	Repeated
07-133 Checks Issued	Cleared

Native American Community Academy

07-134 ERA Contributions	Repeated
07-135 Timely Deposits	Repeated
07-138 Lack of Authority Signatory on Payroll Registers	Cleared
07-139 PED Reports	Repeated
07-140 Stale Dated Checks	Repeated
07-141 Budgetary Conditions	Repeated
07-142 RHC Reports and Contributions	Repeated
08-97 Inadequate Segregation of Duties in Receipting Process	Repeated
08-99 Checks Issued	Repeated
08-103 Difference with General Ledger	Repeated
08-105 Internal Controls over Journal Entries	Repeated
08-106 Budget Adjustment Requests (BAR)	Repeated

Alice King Community School (Formerly North Albuquerque CO-OP)

06-148 Internal Controls over Journal Entries	Repeated
07-145 Cash Receipts	Repeated

Nuestros Valores

06-153 Internal Controls over Journal Entries	Repeated
07-161 ERB and RHC Contributions	Repeated
07-162 941 Payments	Repeated
07-163 Credit Card Purchases – Lack of Supporting Documentation	Repeated
08-111 Internal Control over Financial Reporting Compliance	Repeated
08-114 Checks Issued	Repeated
08-117 Bank Reconciliations	Repeated

Public Academy for Performing Arts

06-162 Budgetary Conditions	Repeated
07-165 Cash Receipting	Repeated
07-166 Inaccurate Bank Reconciliations	Repeated
07-167 Expenses	Cleared
08-121 Checks Issued	Repeated
08-122 Internal Control Structure	Repeated
08-125 Journal Entries	Repeated
08-128 Budget Adjustment Requests (BAR)	Repeated

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Ralph J. Bunche Academy

07-170 Payroll Documentation	Repeated
08-129 Lack of Authority Signatory on Payroll Register	Repeated
08-130 Inadequate Segregation of Duties in Receipting Process	Repeated
08-132 Stale Dated Checks	Repeated
08-133 ERB, 941 and RHC Contributions	Repeated
08-134 Checks Issued	Repeated
08-135 Pre-numbered Receipts	Repeated
08-136 Budgetary Conditions	Repeated
08-137 Timely Deposits	Repeated
08-138 Payroll Disbursements – Signature Authority	Repeated

Robert F. Kennedy

06-178 Budgetary Conditions	Repeated
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School for Integrated Academics & Technology Academy

No Prior Year Findings

South Valley Academy

07-176 Bank Reconciliations	Repeated
07-179 Timely Deposits	Cleared
08-143 Procurement Code	Repeated
08-144 Journal Entries	Repeated
08-145 PED Reports	Repeated

South Valley Academy Foundation

08-148 Inadequate Segregation of Duties in the Receipting and Disbursement Process	Repeated
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Southwest Primary Learning Center

No Prior Year Findings

Southwest Secondary Learning Center

No Prior Year Findings

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

The Bataan Military Academy

07-183 Disbursement – Lack of Authorization	Repeated
07-184 Cash Receipts – Inadequate Documentation	Repeated
08-152 Budgetary Conditions	Repeated
08-154 Checks Issued	Repeated
08-155 Fixed Asset Inventory Count	Repeated
08-156 Policies and Procedures	Repeated
08-157 Gross pay does not Agree to Contract Amount	Repeated
08-158 Lack of Signatory Authority on Payroll Registers	Repeated
08-159 Inadequate Segregation of Duties in Receipting Process	Repeated
08-160 Payroll – Lack of Supporting Documentation	Repeated

The Learning Community Charter School

07-185 Internal Controls over Non-Standard Journal Entries	Repeated
08-161 Bank Reconciliations	Repeated
08-162 Fixed Asset Inventory	Repeated
08-163 Budgetary Conditions	Repeated

The Learning Community Charter School Foundation

No Prior Year Findings

Academy of Trades & Technology (Formerly Youth – Build)

07-191 Inadequate Maintenance of Deduction and Pay Schedules	Cleared
07-192 Untimely Deposits	Repeated

Corrales International School

No Prior Year Findings

Gordon Bernell Charter School

08-66 Cash Receipts	Repeated
08-67 Budget Adjustment Requests (BAR)	Repeated
08-68 RHC Contributions	Repeated
08-69 PED Reports	Repeated
08-71 Internal Controls over Non-Standard Journal Entries	Repeated
08-72 Internal Control Structure	Repeated

FA 06-06 Title IIa – Personnel Files – Allowable Costs	Cleared
FA 06-08 Audit Report and Submission of the Data Collection Form To the Federal Audit Clearinghouse	Cleared
FA 07-03 Title I and Title IIa - Allowable Costs – Documentation of Employee Time and Effort	Cleared
FA 07-05 Title I – Allowable Cost – Missing Authorization	Cleared
FA 07-06 Title I – Eligibility – Targeted Assistance Schools	Cleared
FA 07-07 Title IIa – Special Tests – Allocation of Funds, Horizon	
FA 07-08 Schedules of Expenditures of Federal Awards (SEFA)	Cleared

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

Section VIII – Other Disclosures

Exit Conference

The contents of this report were discussed November 11, 2009. The following individuals were in attendance.

Albuquerque Public Schools

Winston Brooks, Superintendent
Dupuy Bateman, Chief Financial Officer
Tami Coleman, Executive Director of Accounting
Alfred Sanchez, Director of Grant Management
Teresa Scott, Grant Management Accounting Manager
Margaret Koshmider, Director of Internal Audit
Brad Winter, Chief Operations Officer
Art Melendres, District Legal Counsel
Martin Esquivel, Board President
Paula Maes, Board Vice President
David Percy, Board Member
David Robbins, Board Member
Robert Lucero, Board Member
Lorenzo L. Garcia, Board Member
Dolores Griego, Board Secretary
Brenda Yager, Director of Board Services
Jeannie Chavez, Executive Administrative Assistant
Alan Gutowski, Community Member
Demesia Padilla, Community Member
Amy Carter, Senior Manager, Moss Adams LLP
Joyce Chavez, Senior Auditor, Moss Adams LLP

In addition, the contents of each individual Charter School reports were discussed on various date between October 28, 2009 and November 13, 2009, with the representatives of the schools. The following individuals were in attendance.

21st Century

Ken Johansen, Contract Accountant
Kathryn E. Krivitzky, Business Manager
Theresa Garcia, APS
Donna Eldrez, Principal
Todd Culp, Governing Council
Judy Bergs, APS
JJ Griego, Griego Professional Services

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

Academia de Lengua Y Cultura

Ruby Chavez, Business Manager
Teresa Sierra, Board Member
Vivian Levalley, Principal
Judy Bergs, APS
JJ Griego, Griego Professional Services

Academy of Trades & Technology (formerly Youthbuild)

Judy Bergs, APS
Lee Maxwell, Governing council VP
Rudy Sporing, Governing council Treasurer
Alfred Martinez, Business Manager
Kay Birukoff, Principal
JJ Griego, Griego Professional Services

Albuquerque Institute for Math & Science

Steve Turpin, Business Manager
Kathryn Snider, Principal
Joseph White, Governing Council Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
Mandy McClelland, Moss Adams LLP, Assurance Services Senior

Albuquerque Talent Development Secondary Charter School

Tiffany Roth, Office manager
Art Hayden, Business Manager
Jolene Peres, Griego Professional Services
Rommie Compher, Principal
Judy Bergs, APS
Mark Tolley, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
Brian Jones, Governing Council President, Telephone Conference 11/11/09

Alice King Community School (Formerly North Albuquerque CO-OP)

Rhonda Lovato, Business Manager
Ed Scieen, Governing Council Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

Amy Biehl Charter High School and Foundation

Betty Seeley, Business Manager
Michael May, Principal
Judy Bergs, APS
Clifford A. Wintrode, Governing Council Member
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Career Academic & Technical Academy

Glee Hare, Principal
Jolene Peres, Griego Professional Services, LLC
Judy Bergs, APS
Rick Anderson, Governing Council Member
JJ Griego, CPA, Griego Professional Services, LLC
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Cesar Chavez Community School

Deborah Albrycht, Business Manager
Caryl Thomas, Principal
Camille Belden, Board Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Christine Duncan Charter School

Jesus A. Moncada, Principal
Yolanda Sanchez, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
Telephone conference with Ruben Guajandro, President of Governing Council on
11/9/2009

Corrales International Charter School

Sharon Berman, Governing Council President
Elsy Diaz, Head Admin
Judy Bergs, APS
Amy Carter, Moss Adams LLP, Senior Manager
Michael Vigil, Business Manager

Creative Education Preparatory Institute #1

Marianne Rowley, Board President
Thomas Crespín, Director
Suzy Sanchez, Business Manager
Pam Romero, Board Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

Digital Arts and Technology Academy

Michael Vigil, Business Manager
Evelyn Hunemuller, COO
Lynnette Quintana, Assistant Business Manager
Judy Bergs, APS
Al Valdez, Governing Council Member
Amy Carter, Moss Adams LLP, Senior Manager

East Mountain High School

Dennis Hodges, Governing Council Member
Kay Girdner, Business Manager
Judy Bergs, APS
Doug Wine, Principal
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

East Mountain High School Foundation

Lisa Quick, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

El Camino Real Academy

Jim Nettle, Board Member
Jennifer Mercer, Principal
Mary Scofield, Business Manager
Judy Bergs, APS
JJ Griego, Griego Professional Services

Gilbert L. Sena (formerly Creative Education Preparatory Institute #2)

Nancy Romero, Principal
Stan Albryt, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior
Steven Mirabal, Governing Council Present (Telephone)

Gordon Bernell Charter School

Greta Roskom, Principal
Erica A. Martinez, Business Manager
Michael Vigil, Governing Council Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

La Academia de Esperanza

Lee Farri, Board Member
George Perea, Business Manager
Judy Bergs, APS
Steve Wood, Principal
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

La Luz del Monte Learning Center

Judy Chapman, Board President
Scott Glasrud, CFO
Araceli Sosa, Business Manager
Judy Bergs, APS
Amy Carter, Moss Adams LLP, Senior Manager

La Promesa

Ralph Sigala, Council Member
Analee Maestas, Director
Stan Albrycht, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

La Resolana Leadership Academy

Judy Bergs, APS
Justina Montoya, Principal
Michael Vigil, Business Manager
Manuel Alzaga, Governing Council Member (Telephone)
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Los Puentes Charter School

Pat Kelly, Business Manager
Ellen Moore, Principal
Joan Staveley, Board Treasurer
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Montessori Elementary Charter School

Jeff Li, Board Member
Mary Jane Besante, Principal
Stan Albrycht, Business Manager
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

Montessori of the Rio Grande

Bonnie Dodge, Principal
Chris Parrino, Treasurer of Board
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Mountain Mahogany Charter School

Deneen Blair, Administrator
Diane Miles, Business Manager
Klaus Whiteacre, Governing Council Member
Judy Bergs, APS
Mark Tolley, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Native American Community Academy

Joaquin J. Noon, Governing Council Member
Kara L. Bobroff, Principal
Elizabeth McMinn, Business Manager
Judy Bergs, APS
Betty Seeley, Assistant Finance Director
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Nuestros Valores Charter School

Judy Bergs, APS
Mark Armijo, Governing Council President
Al Valdez, Business Manager
Michelle Hughs, Business Manager
JJ Griego, Griego Professional Services

Public Academy for Performing Arts (PAPA)

Rhonda Lovato, Business Manager
Tamara Henderson, Principal
Roger Miller, Board Member
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Ralph J. Bunche Academy

Ken Carson Jr. Governing Council member
Michael Vigil, Business Manager
Penny Wilson, Principal
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

Robert F. Kennedy

JJ Griego, Griego Professional Services
Judy Bergs, APS
Julie Crespy, Business Manager
Robert Baede, Principal

School for Integrated Academics and Technologies

Judy Bergs, APS
Kelly Callahan, Principal
Jacob Kennedy, Board Member
Curt Szarek, SIA Tech Business Manager
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

South Valley Academy and Foundation

Juan Abeyta, Governing Council Member
Carmen Rodriguez, Business Manager
Katarina Sandoval, Principal
Mark Tolley, APS
Judy Bergs, APS
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

Southwest Primary Learning Center

Frank Chambers, PhD, Board Member
Scott Glasrud, CFO
Araceli Sosa, Business Manager
Judy Bergs, APS
Amy Carter, Moss Adams LLP, Senior Manager

Southwest Secondary Learning Center

Aggie Lopez, Board Member
Scott Glasrud, CFO
Araceli Sosa, Business Manager
Judy Bergs, APS
Amy Carter, Moss Adams LLP, Senior Manager

The Bataan Military Academy

Judy Bergs, APS
Michael Vigil, Business Manager
Shelby Tallchief, Principal (Telephone)
Raymond Griffith, Governing Council President (Telephone)
Sheila Herrera, Moss Adams LLP, Assurance Services Senior

STATE OF NEW MEXICO
ALBUQUERQUE PUBLIC SCHOOLS
EXIT CONFERENCES
FOR THE YEAR ENDED JUNE 30, 2009

The Learning Community Charter School and Foundation

James Howden, Board President
Viola Martinez, Principal
George Perea, Business Manager
Judy Bergs, APS
Mark Tolley, APS
Amy Carter, Moss Adams LLP, Senior Manager

Albuquerque Public Schools Foundation

Phill Casaus, Executive Director
Cathy Cavin, Specialist
Elizabeth Shipley, Board President
Craig Yoshimoto, Treasurer
Amy Carter, Moss Adams LLP, Senior Manager