



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas, State Auditor

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**State Auditor Hector Balderas Announces Risk Examination of
Bernalillo Public Schools for Years 2006-2009**

*Charges for multiple trips to amusement parks; Mismanagement of federal grant funds result in
\$24,991 of questionable costs*

(Santa Fe, NM)- Today, State Auditor Hector Balderas released a risk examination of the Bernalillo Public Schools (District) audit reports for the fiscal years 2006-2009. Under the Audit Act, the Office of the State Auditor (OSA) has a duty to provide New Mexico's citizens with professional and unbiased opinions regarding the financial affairs and integrities of government agencies. After reviewing the District's annual audits for those years, the Auditor expressed concerns about the District's failure to adequately display transparency and accountability within the District. The fiscal mismanagement included entity-wide control deficiencies and failure to comply with various federal grant requirements.

"I will continue to protect public funds aggressively and make school districts accountable," Balderas said. "Every taxpayer dollar must be utilized efficiently and effectively to better serve and educate the students."

The Auditor conveyed deep concern that the District does not have a documented policy for conflicts of interest, which creates a tone from the top that is conducive to favoritism and abuse of District resources.

The District is also susceptible to fraud and abuse by personnel. One finding states that blank checks of the District are not adequately safeguarded, are accessible to unauthorized personnel, and checks are kept in a vault that is left unlocked throughout the day. Another finding states that the payroll clerk for the District performs all duties that are required to process payroll with little or no supervision. Failure to implement adequate segregation of duties creates an extremely high risk for fraud.

The Auditor's risk examination highlighted findings by the U.S. Department of Education involving the District's mismanagement of Title III federal grant funds. The Auditor stated he found it "exceptionally troubling" that the U.S. Department of Education concluded that the

District has a history of unsatisfactory performance and has a management system that does not meet federal regulations. The federal review also revealed that the District:

- Mismanaged funds resulting in nearly \$25,000 of questionable costs;
- Has been designated as a “high-risk grantee”; and
- Now is on a cost reimbursement basis for its federal grants – the District has to pay for expenses out of its own funds and submit receipts to the federal government for reimbursement.

“Bernalillo Public Schools has a responsibility to adhere to federal grant guidelines and spend federal funds appropriately,” Balderas added. “I expect immediate corrective action in order to prevent further mismanagement.”

Auditor Balderas is also concerned about additional findings highlighted in the examination, including: insufficient documentation for stipends and overtime pay, personal use of district vehicles, tuition reimbursement and benefits for non district employees, multiple charges to a federal grant to pay for costs for field trips to amusement parks and nearly \$14,000 in cash disbursements were issued by the District’s charter school without authorizations

As a result of the risk examination, Balderas stated that he will dispatch members of the OSA’s Special Investigations Division to conduct an on-site Risk Assessment of the District within two weeks.

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