



State of New Mexico
OFFICE OF THE STATE AUDITOR

Hector H. Balderas, State Auditor

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State Auditor Balderas Expresses Concern About the Handling of \$812,500 in Taxpayer Dollars Allocated for Fresco Art Project

Audit Firm's Findings Reveal Lack of Oversight at Department of Cultural Affairs in 2007 and 2008 Over the Appropriations; Foundation Made Certain Expenditures That Were Not Consistent with Intended Purposes

(Santa Fe, NM)—Today, State Auditor Hector Balderas commented on the release of an audit firm's report related to the expenditure of \$812,500 in public funds appropriated in 2007 and 2008 by the New Mexico Legislature to the Department of Cultural Affairs (Department) for the purchase of a fresco painting and construction of a fresco project at the National Hispanic Cultural Center. The Department expended the funds in 2007 and 2008 through the execution of purchase agreements with the New Mexico Hispanic Cultural Center Foundation (Foundation). Balderas said he was very concerned with the report's findings, but also said he is encouraged by the Department's and the Foundation's commitment to corrective action and restoration of the funds. The State Auditor initially conducted a risk review in December 2010 and recommended that the Department and the Foundation work together to complete a corrective action plan related to the fresco painting appropriations.

Overall, the report's findings indicated a lack of recordkeeping and oversight at the Department over the appropriations, which totaled \$812,500. Additionally, auditors found that the Foundation made approximately \$146,639 in expenditures that were not consistent with the purpose of one appropriation.

"The mismanagement and lack of oversight of taxpayer dollars demonstrated by this case is troubling," Balderas said. "Taxpayers deserved greater oversight over how these funds were used, and I'm glad that the Department has implemented corrective action to address the past failures identified by the independent auditor's report. I also fully expect the Foundation to repay the thousands in public money it improperly spent."

Moss Adams LLP, the independent audit firm that conducted the review, found that the Department paid the Foundation \$527,500 to purchase the painting in 2007; however, the painting was not finished until 2010. Additionally, auditors could not locate

the 2007 purchase agreement for the painting, and the copy of the purchase agreement ultimately provided to the auditors was not signed by anyone from the Department. The report also found that the Department and the Foundation entered into a 2008 purchase agreement with the Foundation that was inconsistent with the purpose of a 2008 appropriation for \$285,000. The purchase agreement was for additional funding to purchase a fresco painting, which the Department had already purchased with the 2007 agreement. Consequently, auditors found that the Foundation made approximately \$146,639 in expenditures that were not consistent with the purpose of the 2008 appropriation, which was made to “construct” the fresco project. The Foundation has refunded the Department \$138,360 of the appropriation.

“It was highly improper for the Department to pay the Foundation more than \$500,000 three years prior to completion of the painting,” Balderas said. “The failure to execute proper purchase agreements and monitor expenditures also created significant risks for taxpayers. I’m pleased that the Department has taken steps to eliminate these risks.”

Balderas said that his office will continue to monitor the corrective action taken by the Department and the Foundation. He also commended the Department’s willingness to undertake the independent review, which Balderas’ office approved in May 2011. Balderas emphasized that all government agencies should ensure they have adequate oversight procedures to protect against the mismanagement of capital outlay funds. He also said he will refer the report to the Legislative Finance Committee and the Governor so they may consider the report’s findings when reviewing the appropriation oversight process.

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