GALLUP-MCKINLEY COUNTY SCHOOLS

Growing Students to be Productive Citizens in a Multicultural Society

Agreed Upon Procedures

Johnson O'Malley Program

Years Ended June 30, 2011 through June 30, 2015

Manning Accounting and Consulting Services, LLC

State of New Mexico
Gallup-McKinley County Schools
Agreed Upon Procedures
Johnson O'Malley Program
Years Ending June 30, 2011 through June 30, 2015
Procedures and Results

	Page
Table of Contents	2
Independent Accountant's Report	3
Procedures and Results	4

Manning Accounting and Consulting Services, LLC
MACS

Independent Accountant's Report

The Board of Education
Jvanna Hanks II
Chief Financial Officer
Gallup-McKinley County Schools
PO Box 1318
Gallup, NM 87305

We have performed the procedures enumerated below which were specified by Gallup-McKinley County Schools (District), solely to assist the District in evaluating the District's compliance in the Johnson O'Malley program with Federal, State, and local requirements in effect during the years ended June 30, 2011 through June 30, 2015. The District's management and the Indian Education Committee (IEC) are responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified party in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Gallup-McKinley County Schools and is not intended to be and should not be used by anyone other than this specified party.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico 87417
January 29, 2016

PO Box 736
Kirtland, NM 87417

(505) 598-3135 (Office)
(505) 598-3136 (Fax)

www.manningacs.com

State of New Mexico
Gallup-McKinley County Schools
Agreed Upon Procedures
Johnson O'Malley Program
Years Ending June 30, 2011 through June 30, 2015
Procedures and Results

1. **Agreed Upon Procedure #1: Review the grant agreements between Gallup-McKinley County Schools and the Johnson O'Malley (JOM) program; review expenditures to identify if they do not meet the stated goals and objectives of the program; identify any issues which may exist with those agreements.**

Procedures:

General Procedures
We reviewed the grant agreements for the Johnson O'Malley program and reviewed expenditures for the fiscal year of June 30, 2011 through June 30, 2015.

Results:

Grant Agreements

Program direction has remained fairly consistent over the period under review with an emphasis on Native American language and expenditures on supplies and culturally relevant books. Grant expenditures for students have been heavily directed at supply purchases.

The 2011 non-payroll related expenditures for the District totaled $768,445. Supplies accounted for $511,867 of those expenditures or 66.6% of the total; IEC costs accounted for $89,580 or 11.7% of the total; software purchases totaled $60,000 or 7.8% of the total; student travel accounted for $50,870 or 6.6% of the total; and other costs accounted for $56,128 of costs or 7.3% of the total.

The 2012 non-payroll related expenditures for the District totaled $459,484. Supplies accounted for $368,967 of those expenditures or 80.3% of the total; IEC costs accounted for $50,664 or 11.0% of the total; student travel accounted for $11,084 or 2.4% of the total; and other costs accounted for $28,819 of costs or 6.3% of the total.

The 2013 non-payroll related expenditures for the District totaled $428,147. Supplies accounted for $311,541 of those expenditures or 72.8% of the total; IEC costs accounted for $53,844 or 12.6% of the total (stipends for attendance at meetings was moved to a payroll expenditure per IRS guidance as board members which is a change from previous years); student travel accounted for $8,551 or 2.0% of the total; and other costs accounted for $54,211 of costs or 12.7% of the total. However, certain travel codings were changed in this year which made it harder to keep IEC travel costs consistent with previous year. We attempted to total as before, but because of the changes there may not be total comparison between years.

The 2014 non-payroll related expenditures for the District totaled $345,845. Supplies accounted for $236,483 of those expenditures or 68.4% of the total; IEC costs accounted for $47,983 or 13.9% of the total (stipends for attendance at meetings was moved to a payroll expenditure per IRS guidance as board members which is a change from earlier years); student travel accounted for $10,275 or 3.0% of the total; and other costs accounted for $51,104 of costs or 14.8% of the total. However,

certain travel codings were changed from previous years which made it harder to keep IEC travel costs consistent with previous year. We attempted to total as before, but because of the changes there may not be total comparison between years.

The 2015 non-payroll related expenditures for the District totaled $472,700. Supplies accounted for $358,199 of those expenditures or 75.8% of the total; IEC costs accounted for $23,950 or 5.1% of the total (stipends for attendance at meetings was moved to a payroll expenditure per IRS guidance as board members which is a change from earlier years); student travel accounted for $16,748 or 3.5% of the total; contract services accounted for $61,616 or 13.0% of the costs; and other administrative travel accounted for $12,186 of costs or 2.6% of the total.

Findings:

After review of expenditures and review of JOM guidelines and objectives we cannot identify if those expenditures are being efficiently spent on the overall objectives and goals of the program. Those goals and objectives are not immediately apparent when reviewing the non-payroll expenditures of the program. Additionally, the timing of the expenditures appears to not be the most effective for the needs of the students.

The following chart identifies the timing of the non-payroll related expenditures over the five year period:

Month	2011	2012	2013	2014	2015	Total	%
July	44,899	2,205	0	0	0	47,104	1.9%
August	20,089	11,656	0	0	6,536	38,281	1.5%
September	44,037	22,458	0	0	8,133	74,627	3.0%
October	77,434	39,319	467	5,1090	49,780	172,109	7.0%
November	70,385	41,552	25,903	6,868	13,0299	157,738	6.4%
December	208,741	20,299	52,177	9,726	9,592	300,537	12.1%
January	40,837	41,636	69,195	34,538	14,637	200,841	8.1%
February	46,466	66,945	50,785	29,050	74,801	268,047	10.8%
March	34,685	43,412	60,201	56,148	26,950	221,395	8.9%
April	26,494	29,255	49,925	70,216	43,996	219,886	8.9%
May	47,704	54,078	58,494	71,773	85,668	317,718	12.8%
June	106,673	86,669	61,000	62,416	139,578	456,337	18.4%
Total	768,444	459,483	428,147	345,845	472,700	2,474,620	100.0%

Programs should try to get resources to the students as soon as possible, particularly when many of the expenditures for the program are supplies as is the case for JOM. Expenditures listed above are the dates of payment, so most items will have been purchased and put into use approximately one month earlier. The five year history shows that most expenditures, 31.2% of the total, occur in May and June, after most of the school year is completed. We would expect few expenditures in July but

would expect to see around 70-75% of expenditures for a program like this by December of each year in order to maximize use by the students and teachers.

Review of year-end expenditures during the review period seem to indicate that large purchases are made at year-end in order to expend the funds so that they are not lost rather than following an organized plan for student success. This possibility appears to be verified with the discovery this past year of storage rooms containing tens-of-thousands of dollars of supplies that were purchased years ago by the JOM program that have never been distributed for use by the students. Some of these supplies may still be used; however, many thousands of dollars of supplies, particularly items like ink cartridges, are probably unusable at this time.

Over the past five year and three year periods, expenditures break down as shown below by quarter and by six-month period:

Years	Quarter				Six Month Period	
	1st	2nd	3rd	4th	Jul - Dec	Jan - Jun
2011-2015	6.5%	25.4%	27.9%	40.2%	31.9%	68.1%
2013-2015	1.2%	13.8%	33.4%	51.6%	15.0%	85.0%

Recommendations:

We would recommend that the District review its program development, coordination with each schools' educational plan for student success, budget process, and allocation and spending timelines to see how the JOM program may be better utilized to meet the needs of the students of the District and meet the overall goals and objectives of the JOM program. Target dates for expenditures should be established and reviewed. Program assets should be distributed to the students and teachers for whom the supplies and other program expenditures are intended. The District should also do a thorough review of the supplies found and identify those that can be used in the program and incorporate these items into the coming year's plan.

2. Agreed Upon Procedure #2: Review the by-laws of the Indian Education Committee (IEC); review for consistency and compliance.

Procedures:

General Procedures

We reviewed the by-laws for the Indian Education Committee (IEC) for the years under review – 2011 through 2015 – and reviewed for consistency and compliance with the provisions of the by-laws.

Results:

By-laws

Review of by-laws over the five years indicates significant changes between years relating to how members are chosen, terms of office, representation by areas, requirements for what is considered a quorum, record keeping of attendance, etc.

Findings:

Each of these areas has varied over the five year window.

For example, in 2011 and 2012 a quorum required at least 11 members are present. In 2013, this increased to 12 members being present. In 2014 and 2015, this requirement for a quorum was reduced to 7 members. However, while membership of the IEC appears to have grown between 2011 and 2015, a quorum has been reduced to 7 members, less than 20% of the membership.

Membership terms were four (4) years in 2011 and 2012. The by-laws appear to be silent as to the length of term of members in 2013. In 2014 and 2015, the membership term is identified as "no more than three consecutive fiscal school years." The phrase of "no more than" leaves the actual term length in question as it can be interpreted as three one year terms, or it can be interpreted as a three year period as long as other requirements are met.

There appears to be no consistency between years on how representation is selected among the various schools and areas of the District. Some areas have representation for every school in the community while others don't; some individuals appear to be allowed to represent multiple schools from a community while others who want to serve are not allowed to serve as a representative of that area for a school. How members have been selected from each area also appears to vary over the years and between the schools and communities.

In 2011 and 2012, members were to be appointed (though it doesn't say who is doing the appointing) and then to be certified by a Chapter resolution. The 2013 by-laws are silent as to how membership is selected. In 2014 and 2015, it states "members shall be elected by parents in June

through a school nomination, Principal nomination, Navajo Nation Chapter nomination, IEC nomination, or voluntary nomination." This would seem to state that there needs to be a meeting at each of the schools or communities where the "parents" of students attending Gallup-McKinley County Schools for that particular school can elect one representative from their school. They may be nominated by many sources, including putting their own name forth for election, but there needs to be an election by those parents. This would also seem to imply that one individual should only represent one school to increase the amount of parent involvement which is a guideline of both the JOM articles and 25 CFR.

Our review indicates that locations and times of elections are not widely disseminated for all locations and that different methods appear to be used, including appointment by the IEC.

The District was unable to provide us verification that stipends paid to IEC members were proper per the by-laws and JOM guidelines. Members are required to sign in and sign out as to when they arrive and when they leave meetings. However, such documentation has not been consistently maintained by the committee to verify that members are attending full meetings and thus being paid properly.

The District was unable to provide us with verification that meetings are in accordance with the New Mexico Open Meetings Act or in compliance with the by-laws which require that all meetings be advertised in the local newspaper at least one week prior to the meeting and advertised on radio at least three days prior to the meeting. No documentation of advertisement in the local newspaper or the local radio stations could be provided.

We could not ascertain as to the records kept whether all members are provided written notices of proposed by-law changes and that the prescribed documentation and time frame prior to an IEC meeting is occurring as outlined in the by-laws (10 days). This raises concerns as to if the by-law changes have been in accordance with those by-laws.

Our inquiries indicated that by-law changes of the IEC do not appear to be provided to the Board of Education of Gallup-McKinley County Schools for review or approval. The IEC serves at the pleasure of the Board and establishes educational goals, objectives, and procedures for the schools and students of the District. The overall educational direction of the District falls under the guidance of the Board and the Superintendent according to New Mexico statutes. As such, it would appear that lack of review or approval of such items would not be in compliance with those statutes.

Recommendations:

We recommend that the Board, per power vested in them per 25 CFR, take a role in establishing by-laws that are clear, complete, and consistent for all parents wishing to be members of the IEC. These by-laws should not be changed continually as it appears they have over the past five years. By-laws should be established and rarely changed unless something of great importance is noted. Then there should be ample time to review proposed changes, discuss proposed changes, and

consider the consequences of those changes. The Board should try to make the by-laws as clear, complete and consistent as they possibly can so that all communities and parents within the boundaries of the District understand the by-laws, their rights and obligations under the by-laws, and know that they will be equally applied to all.

3. **Agreed Upon Procedure #3: Review the relevant portion of Code of Federal Regulation Title 25 Indians (25 CFR) as it pertains to the JOM program and the Indian Education Committee; identify any issues which may exist.**

Procedures:

General Procedures
We reviewed the relevant portions of Code of Federal Regulations Title 25 Indians as it pertains to the JOM program and Gallup-McKinley County Schools.

Results:

25 CFR Indians

Code of Federal Regulation Title 25 Indians sets forth guidance for the establishment of an Indian Education Committee and the powers and duties of that committee.

§273.15 Establishment of Indian Education Committee

(a) When a school district to be affected by contract(s) for the education of Indians pursuant to this part has a **local school board not composed of a majority of Indians**, the tribal governing body(s) of the Indian tribe(s) under this part shall specify one of the following entities to serve as the Indian Education Committee for the purpose of this part:

However, the Gallup-McKinley County School Board is composed of a majority of Indians and thus has the right and responsibility to serve in this capacity. Notwithstanding this unique capacity, and while not specifically dealt with in the Federal statute, it appears that the Board may choose to allow a committee of parents to serve in the capacity of the Indian Education Committee according to article (a)(1) of this section. In this case, this committee would seem to operate as a subcommittee of the Board of Education which is the entity authorized to act in this part.

When reviewing other aspects of 25 CFR and New Mexico statutes related to education, it would seem to require oversight by the Board.

§273.16 Powers and Duties of Indian Education Committee

(a) Consistent with the purpose of the Indian Education Committee, each such Committee shall be vested with the authority to:
   (1) Participate fully in the **planning, development, implementation, and evaluation of all programs, including both supplemental and operational support**, conducted under a contract or contracts pursuant to this part. Such participation shall include further authority to:

(i) **Recommend curricula, including texts, materials, and teaching methods** to be used in the contracted program or programs.
(ii) **Approve budget preparation and execution.**
(iii) **Recommend criteria for employment** in the program.
(iv) **Nominate a reasonable number of qualified prospective educational programmatic staff members from which the contractor would be required to select.**
(v) **Evaluate staff performance and program results** and recommend appropriate action to the contractor.

(2) **Approve and disapprove all programs** to be contracted under this part. All programs contracted pursuant to this part shall require the approval of the appropriate Indian Education Committee.

Recommendation:

These powers in New Mexico reside with the Board of Education and the Superintendent. As such, it would appear that the Board has a statutory and fiduciary responsibility to be involved in the process. We recommend that this involvement does not have to be full involvement in monthly IEC meetings, but it would seem to require additional oversight and approval by establishing the IEC as a subcommittee of the Board.

At the beginning of any new contract year with JOM, the Board appears to have the full authority to modify how the District proceeds with an Indian Education Committee. From our review of the program, it appears that at this time the Board has had very little if any direction or oversight of the committee which would seem to be a requirement under the Federal regulations as a majority Indian Board and under New Mexico statutes.

We would recommend that the Board review the current by-laws of the Indian Education Committee to identify if they are in compliance with stated goals and policies of the Board. This would include establishing by-laws as per the recommendation above. The JOM and 25 CFR guidelines indicate that it should be parent representation from the affected schools. These parents are representing the Board in the establishment of programs for the students, and those parents should have equal access to this representation process.

As the Board would be establishing the IEC as a subcommittee of the Board, they should establish what they believe should constitute a quorum, how the committee stays in compliance with the New Mexico Open Meetings Act, how members are to be compensated, how budgets are established, terms of office, and how parents are elected to the committee. We would recommend that all future by-law changes would require the approval of the Board prior to enactment to make sure that the wishes and direction of the Board are maintained within the by-laws. We would also recommend that, if not already occurring, that the Board receives a monthly report from the IEC so that it is aware of the direction of the committee and has the ability to provide feedback as to the ideas, concerns, and directions of the Board. In this method, the Board has ultimate authority under

CFR 25 but delegates the majority of the functions to a "sub-committee" of parents equally represented throughout the District to increase parent involvement and input as is a goal and objective of the JOM program and 25 CFR.

4. **Agreed Upon Procedure #4: Obtain a detail listing of all non-payroll related expenditures for each year under review, 2011 through 2015, by object code. Review the expenditure detail for areas of significant expenditures, questionable costs, reasonable costs, allowable costs, etc. Particular attention should be applied in areas which may be abused or misused. Interview staff, if needed, to identify any areas of concern or controls which may be in place to mitigate areas of concern or potential abuse. Perform any other procedures which will provide insight on the program, its history, and any potential issues which may exist.**

Procedures:

General Procedures

We obtained a detailed expenditure report from Gallup-McKinley County Schools for non-payroll related expenditures for the five years ending June 30, 2011 through June 30, 2015. We reviewed the named vendors, the account code charged which indicates the type of expenditure recorded, the date of the expenditure, the check number, and a description of the charge. We looked for any items that appeared to be unusual, excessive, questionable, or unallowable per Federal and program guidelines. We discussed the JOM program, its procedures, its history, and any potential issues which may exist with Frank Chiapetti, Superintendent, Mike Hyatt, Associate Superintendent of Personnel and Business Services, Jvanna Hanks II, Chief Financial Officer, Herlinda Mann, former JOM Program Manager, and Wonda Johnson, current JOM Program Manager. We also reviewed prior audits of the District.

Results:

As mentioned previously, the District has tens-of-thousands of dollars of supplies sitting in rooms which were purchased years ago by JOM funds which have never been issued to teachers, schools, or students. This calls into question several different issues of Federal and State regulations. These costs can be categorized as wasteful expenditures of District funds, unreasonable costs for the program, and mismanagement of funds. Additionally, these expenditures may raise questions of fraud, theft, or abuse of District assets.

During our review of JOM operations, we noted that the program provided "backpacks" of supplies to students of the District. However, the District could provide us no records of how many backpacks were involved, when and where those backpacks were distributed, the names of students to whom those backpacks were provided, or if those backpacks were provided to covered students under the JOM program. The lack of detailed records associated with the distribution of thousands of dollars of supplies provided by the JOM program and intended for the use of Gallup-McKinley County Schools students makes it impossible for us to answer some relevant questions: Were these supplies issued to only Gallup-McKinley County students and not to students of other districts or private schools in the area? Were these supplies only issued to covered students of the JOM program who attend school in the Gallup-McKinley County Schools? Were these supplies taken and used by other individuals who are not even students? The procedures involved in the issue of the

backpacks and the lack of records associated to who received these backpacks can raise the questions of theft, fraud, and misuse of District assets.

The District purchased large amounts of supplies for the schools from JOM funds. The District also has a well-established warehousing and delivery process for the schools. However, it appears that this process was not used for the delivery of JOM supplies to schools. It appears that many supplies were picked up by IEC members in private vehicles and then delivered to the schools they represented. However, the District could not provide us with records which showed what supplies were picked up and signed for by which IEC members to demonstrate chain of custody of supply assets. The District also couldn't provide us records of delivery of the supply assets to the schools with an accounting of what was delivered and who received them at the school. Again, these procedures, which weren't in alignment with standard delivery procedures in the District and subject to the normal custody documentation, raise issues of theft, fraud, and misuse of District assets.

During our review of expenditures related to JOM expenditures for students for trips, programs, meals, tutoring, etc., the records didn't include documentation that allowed us to verify that the students who were receiving the benefits of the expenditures were actually "covered" students under the JOM program who had "Certificates of Indian Blood" (CIB) on file with the District. This raises concerns of "questioned costs" for expenditures which may not have been allowable under program directives. When discussing this issue with the prior JOM Program Manager, she felt that this would fall under the "*de minimus*" guidelines of the grant which allow for small amounts of expenditures to go for individuals not covered under the grant. The wording of the de minimus participation policy would indicate whether this is true or not. If expenditures for non-covered individuals relates to total expenditures of the program in the year, this would be correct. However, if the expenditures relate to a particular event or expenditure, and not to all expenditures of the year, paying for 10-15% of non-covered students would not be de minimus expenditure.

At least one member of the IEC was distributing letters with the Gallup-McKinley County Schools' letterhead and the Navajo Nation logo on the letter which requested donations for an upcoming conference. This creates the impression that the District is the one requesting these donations and provides implied assurances that the donation will be used according to District policy and guidelines. However, we could find no indication that this fund raising campaign was really sanctioned by the District or that the District had given permission for the use of District letterhead or the actual fund raising campaign. This raises questions as to training of the IEC members in the legal use of the District's name or in their proper roles and responsibilities as members of the IEC.

During review of travel expenditures, we noted a few issues which would not be in compliance with State guidelines and thus Federal guidelines as well. School districts are subject to the allowable mileage reimbursement rate which is 80% of the Federal rate from the previous year's January rate. IEC members have been reimbursed at rates in excess of the allowable State rate. Purchase orders weren't in place prior to travel for most IEC members. During hotel stays, we noted that the room rate for the JOM Program Manager was normally significantly greater than the rate paid for other

rooms on the same billing. This would seem to indicate that the JOM Program Manager was either upgrading her room to a more expensive room, thus creating an issue of a reasonable and allowable cost for the room, or was booking the room significantly later which wasn't receiving the reduced rate that the other rooms were receiving.

During review of purchase orders and delivery records, we noted that in several instances that notations on purchase orders by the JOM Program Manager indicated that the items were not to be delivered to the warehouse but that she would pick the items up herself. This violates District procedures and defeats the segregation of duties internal control procedures which don't normally allow for the same person to create an order and then pick up the item and authorize payment for the item. This again can create questions of misuse, theft, or abuse of District assets.

During our review of documentation related to the JOM program it appears that the District purchased a large amount of traditional grinding stones. It also appears that at least three of these grinding stones were sold to employees of the District for $100 each by the former JOM Program Manager. No receipts were provided for these cash sales, and the District was unable to provide us documentation that this money was redeposited into the JOM funds. This would appear to be theft and misuse of District JOM funds.

Recommendation:

We recommend that the District complete a thorough inventory of the supplies purchased with JOM funds which are sitting in storage rooms and develop a plan to incorporate those supplies into the program in the current year and following year in an attempt to properly use up those supplies which have been sitting idle for years.

We recommend that if the District continues to issue backpacks of supplies from JOM funds that the District establish clear guidelines for the issuance of these supplies which includes the tracking of who issues the supplies, what student receives those supplies, and when and where those supplies were issued.

It is our understanding that the District has stopped the practice of IEC members delivering supplies to the schools. We recommend that the District continue with its established ordering and delivering methods to maintain consistency of process and proper receiving and delivery documentation throughout all programs. We also recommend that individuals be reminded of the proper ordering, receiving, and authorization for payment procedures in the District so that the same person is not ordering, receiving, and authorizing payment for the same items.

We recommend that the District review its de minimus guidelines to verify that the language allows for the expenditure for student activities for those who are not covered under the program. We also recommend that some form of documentation be provided with expenditures which identifies expenditures for covered students. Additionally, we recommend that the District consider paying

the costs for uncovered students through operational or Impact Aid funds so that there aren't questions regarding the propriety of paying for uncovered students.

We recommend that the District provide further training to IEC members in their proper roles and responsibilities as committee members. We also recommend that they be instructed that the District doesn't allow its letterhead to be used unless sanctioned by the District and approved by an authorized individual.

With regards to travel, we recommend that the District initiate purchase orders for IEC members prior to incurring travel costs, reimburse travel costs in compliance with State guidelines, and review reservations to identify if program managers are upgrading their rooms or making late reservations which increase costs of the program over reasonable costs.

We recommend that the District investigate if JOM supplies were sold for cash. If those items were sold, we recommend that the District try to recoup the funds for return to the JOM program and that further training be provided to individuals to instill in them that this is not an allowable activity.

State of New Mexico
Gallup-McKinley County Schools
Agreed Upon Procedures
Johnson O'Malley Program
Years Ending June 30, 2011 through June 30, 2015
Procedures and Results

5. **Agreed Upon Procedure #5: Select a sample of disbursements for each year under review, 2011 through 2015, and test for compliance with Federal, State, and District guidelines.**

Procedures:

General Procedures

We reviewed the detail of non-payroll related expenditures provided to us. We then randomly selected 25 disbursements from each year as generated through a number generator program and then selected 15-30 additional selections for each year based on auditor judgement. We reviewed the expenditures for:

- Compliance with established Federal, State, and District guidelines for
  - Purchasing guidelines
  - Receiving guidelines
  - Payment processing guidelines
  - Delivery to the intended benefactors
- Reasonableness of costs incurred based on quantity, price, and program directives

Results:

2011

We selected 55 disbursements for review - 25 randomly selected through number generation and 30 through auditor selection.

- 25 of 55 disbursements don't have adequate receiving or authorization for payment according to state and PED requirements
- 5 of 55 disbursements don't have an invoice for verifying correct amounts being paid
- 12 of 55 disbursements don't have a valid PO issued prior to the obligation of the funds
- 12 of 55 disbursements for travel and per diem were paid at an incorrect rate - paid at GSA rates instead of state travel guidelines
- 1 of 55 disbursements has a PO indicating that items (8 wooden Indian drums) are not to be delivered to the warehouse but are to be picked up by staff, which is a variation of district policy that weakens the segregation of duties.
- 1 of 55 purchases has payment to CES and the CES contract is not attached to documentation as required under statute
- No indication that Federal suspension and debarment listing is being reviewed for Federal dollar purchases in excess of required limits

State of New Mexico
Gallup-McKinley County Schools
Agreed Upon Procedures
Johnson O'Malley Program
Years Ending June 30, 2011 through June 30, 2015
Procedures and Results

2012

We selected 40 disbursements for review - 25 randomly selected through number generation and 15 through auditor selection.

- 6 of 40 disbursements don't have a valid PO issued prior to the obligation of the funds
- 6 of 40 disbursements for travel and per diem were paid at an incorrect rate - paid GSA rates instead of state travel guidelines
- 14 of 40 disbursements don't have adequate receiving or authorization for payment according to state and PED requirements
- 3 purchases made at year-end within 3 weeks of each other to same vendor totaling $73,450 which were done without bid. Appears to be circumventing bidding requirements.
- No indication that Federal suspension and debarment listing is being reviewed for Federal dollar purchases in excess of required limits

2013

We selected 40 disbursements for review - 25 randomly selected through number generation and 15 through auditor selection - 2 items selected didn't have supporting documentation provided (checks 266291 and 269014) so actually selected 4 alternatives for review for 42 disbursements total

- 10 of 42 disbursements don't have adequate receiving or authorization for payment according to state and PED requirements
- 9 of 42 disbursements received by warehouse have no indication of the date received
- 3 of 42 disbursements don't have an invoice which matches payment - paid more than invoice
- 12 of 42 disbursements for travel and per diem used incorrect rates
- 1 of 42 disbursements items not to be delivered to warehouse and individual will pick item up

2014

We selected 40 disbursements for review - 25 randomly selected through number generation and 15 through auditor selection.

- 13 of 40 disbursements don't have a valid PO issued prior to obligation of funds
- 13 of 40 disbursements for travel and per diem were paid at incorrect rates
- 2 of 40 disbursements don't have adequate receiving or authorization for payment according to state and PED requirements
- 1 of 40 disbursements indicate payment in excess of invoice amount
- Per guidelines provided by DFA and other state agencies - payment for meals at all meetings is considered misuse of funds which appears the norm for JOM
- No indication that the Federal suspension and debarment listing is being reviewed for Federal dollar purchases in excess of required limits

State of New Mexico
Gallup-McKinley County Schools
Agreed Upon Procedures
Johnson O'Malley Program
Years Ending June 30, 2011 through June 30, 2015
Procedures and Results

2015

We selected 40 disbursements for review - 25 randomly selected through number generation and 15 through auditor selection.

- 2 of 40 disbursements don't have adequate receiving or authorization for payment according to state and PED requirements
- 13 of 40 disbursements don't have a valid PO issued prior to obligation of funds
- 13 of 40 disbursements for travel and per diem were paid at incorrect rates
- Purchases of large amounts of books from Ellis Tanner. PO indicates for summer reading program; however, how did books get distributed to students for summer reading. Could find no other verification that a summer reading program was even in existence.

Recommendation:

The issues we identified over the five year period were real consistent between the years related to the JOM program.

We recommend that the District work with JOM personnel to make sure that purchase orders are entered prior to travel being initiated.

We recommend that the District pay travel rates per prescribed rates established by the State.

We recommend that the District verify that artificial splitting of orders are not still occurring where significant amounts of supplies are being ordered from the same vendor in a short period of time while using multiple purchase orders.

We recommend that the District hold to its standard procedure of deliveries being made to the warehouse for proper receiving and distribution throughout the District or directly to the schools which are designated to receive the items rather than being picked up by JOM personnel.

We recommend that all items received have signatures and dates from the individual who received the goods verifying that they have been received and are valid purchases.

We recommend that any purchases made from CES which would require quotes or formal bids if purchased from other sources have copies of the CES agreement on file as required by New Mexico statute.

We recommend that for purchases which exceed Federal guidelines ($100,000 of Federal funds under normal purchasing guidelines or $25,000 through cooperative purchases) that the District review the Federal procurement, suspension, and debarment listing to verify that the vendors are not suspended or debarred from receiving Federal funds and that this page be printed and maintained for support.

State of New Mexico
Gallup-McKinley County Schools
Agreed Upon Procedures
Johnson O'Malley Program
Years Ending June 30, 2011 through June 30, 2015
Procedures and Results

We recommend that proper additional support be provided with the supporting documentation when a payment is made for more than the invoice amount to document what the additional payments related to and support the additional payments.

6. **Agreed Upon Procedure #6: Summarize the results of the review of the JOM program and its related parts in a report to the Board and administration and provide recommendations to improve operations.**

Procedures:

General Procedures

We have reviewed each of the areas identified above, providing results of our review and recommendations which we believe may be of help to the District. These results and recommendations are intended for the Board and management and should not be used for any other reason.